

# PROSPECTUS



## BW OFFSHORE LIMITED

(An exempted company limited by shares incorporated under the laws of Bermuda)

### Rights Issue of 8,559,810,000 Offer Shares at a Subscription Price of NOK 0.10 per Offer Share with Subscription Rights for Existing Shareholders

Subscription Period for the Rights Issue: From 1 July 2016 to 16:30 hours (CET) on 15 July 2016  
Trading in Subscription Rights: From 1 July 2016 to 16:30 hours (CET) on 13 July 2016

The information in this prospectus (the "**Prospectus**") relates to an underwritten rights issue (the "**Rights Issue**") by BW Offshore Limited (the "**Company**" or "**BW Offshore**"), an exempted company limited by shares incorporated under the laws of Bermuda (together with its consolidated subsidiaries, the "**Group**") and the listing on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**"), of 8,559,810,000 new common shares in the Company with a par value of USD 0.01 each (the "**Offer Shares**") issued at a subscription price of NOK 0.10 per Offer Share (the "**Subscription Price**").

The shareholders of the Company as of 28 June 2016 (and being registered as such in the Norwegian Central Securities Depository (the "**VPS**") on 30 June 2016 pursuant to the two days' settlement procedure (the "**Record Date**")) (the "**Existing Shareholders**"), will be granted transferable subscription rights (the "**Subscription Rights**") in the Rights Issue that, subject to certain limitations based on applicable laws and regulations, provide preferential rights to subscribe for, and be allocated, Offer Shares at the Subscription Price. The Subscription Rights will be registered on each Existing Shareholder's VPS account. Subscription Rights will not be issued in respect of any existing shares held in treasury by the Company. The Subscription Rights will be listed and tradable on the Oslo Stock Exchange from 09:00 hours Central European Time ("**CET**") on 1 July 2016 to 16:30 hours (CET) on 13 July 2016 under the ticker code "BWO T".

Each Existing Shareholder will be granted 12.48664 Subscription Rights for every existing share registered as held by such Existing Shareholder as of the Record Date, rounded down to the nearest whole Subscription Right. Subscription Rights acquired during the Subscription Period carry the same right to subscription as the Subscription Rights held by Existing Shareholders. Each Subscription Right will, subject to certain limitations based on applicable laws and regulations, give the right to subscribe for, and be allocated, one Offer Share. Over-subscription and subscription without Subscription Rights is permitted. The subscription period will commence at 09:00 hours (CET) on 1 July 2016 and expire at 16:30 hours (CET) on 15 July 2016 (the "**Subscription Period**").

Subscription Rights that are not used to subscribe for Offer Shares before 16:30 hours (CET) on 15 July 2016 or sold before 16:30 hours (CET) on 13 July 2016 will have no value and will lapse without compensation to the holder.

BW Group Limited ("**BW Group**") and certain other Pre-committing Shareholders (as defined below) have committed to subscribe for the number of Offer Shares covered by their Subscription Rights. Following expiry of the Subscription Period, any Offer Shares that have not been subscribed for, and allocated, in the Rights Issue (save for the Offer Shares to be subscribed for by BW Group and the other Pre-committing Shareholders) will be subscribed and paid for at the Subscription Price by an underwriting syndicate consisting of ABN AMRO Bank N.V. ("**ABN AMRO**"), Danske Bank A/S, Norwegian branch ("**Danske Bank**"), DNB Markets, a part of DNB Bank ASA ("**DNB Markets**") and Nordea Markets, a part of Nordea Bank Norge ASA ("**Nordea Markets**") (collectively, the "**Underwriters**"), subject to the terms and conditions of the underwriting agreement entered into between the Company, the Pre-committing Shareholders and the Underwriters on 22 May 2016, as amended (the "**Underwriting Agreement**").

The Company and the Managers (as defined below) do not accept any responsibility or liability with respect to the withdrawal of the Rights Issue or any related effects on any trades in Subscription Rights or Offer Shares. For more information see Section 18 "The terms of the Rights Issue".

The beneficial interests in the Company's existing Shares are, and the Offer Shares will be, registered in the VPS in book-entry form. All of the issued Shares rank pari passu with one another and each carry one vote. Except where the context requires otherwise, references in this Prospectus to "**Shares**" will be deemed to include the existing Shares and the Offer Shares. The existing Shares are, and the Offer Shares will be, listed on the Oslo Stock Exchange under the ticker code "BWO".

**Investing in the Shares, including the Offer Shares, involves a high degree of risk. Prospective investors should read the entire document and, in particular, consider Section 2 "Risk factors" beginning on page 12 when considering an investment in the Company.**

**The Subscription Rights and the Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers and sales of the Offer Shares and Subscription Rights may lawfully be made and, for jurisdictions other than Norway, would not require any filing, registration or similar action.**

**The Subscription Rights and the Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction in the United States of America (the "U.S." or the "United States"), and are being offered and sold: (i) in the United States only to "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") and (ii) outside the United States in compliance with Regulation S under the U.S. Securities Act ("Regulation S") and on exemptions provided by Directive 2003/71/EC (including Directive 2010/73/EU and together with any relevant implementing measure, the "Prospectus Directive") in Member States of the European Economic Area (the "EEA") that have implemented the Prospectus Directive (each, a "Relevant Member State"), in each case, in compliance with any applicable laws and regulations. The distribution of this Prospectus and the offer and sale of the Subscription Rights and the Offer Shares in certain jurisdictions may be restricted by law.**

**For more information regarding restrictions in relation to the Rights Issue, see Section 19 "Selling and transfer restrictions".**

The due date for the payment of the Offer Shares is expected to be on or about 20 July 2016. Delivery of the Offer Shares is expected to take place on or about 22 July 2016 through the facilities of the VPS. Trading in the Offer Shares on the Oslo Stock Exchange is expected to commence on or about 22 July 2016.

#### Joint Bookrunners

ABN AMRO

Danske Bank

DNB Markets

Nordea Markets

Pareto Securities

#### Joint Lead Managers

ING

SEB

Swedbank

The date of this Prospectus is 30 June 2016

## IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Rights Issue and the listing of the Offer Shares on the Oslo Stock Exchange.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended, and as implemented in Norway (the "**EU Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*) (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA is dated 30 June 2016 and only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

The Company is incorporated under the laws of Bermuda. In order to facilitate the registration and trading of the Shares on the Oslo Stock Exchange, the Company has entered into a registrar agreement (the "**Registrar Agreement**") with DNB Bank ASA (the "**VPS Registrar**") for the registration of the beneficial interests in the Shares, including the Offer Shares, in book entry form in the VPS. Under the Registrar Agreement, the VPS Registrar is, in respect of the existing Shares, and will be, in respect of the Offer Shares, registered as holder of such Shares in the Register of Members of the Company that the Company is required to maintain in Bermuda pursuant to the Companies Act 1981, as amended, of Bermuda (the "**Bermuda Companies Act**"). Under the Registrar Agreement, the VPS Registrar registers the beneficial interests in the existing Shares and will register the beneficial interests in the Offer Shares, in book-entry form in the VPS. Therefore, it is not the Shares issued in accordance with the Bermuda Companies Act that will be delivered to investors being allocated Offer Shares in the Offering, but the beneficial interests in such Shares registered in the VPS (in book-entry form). Unless indicated otherwise, or the context otherwise requires references in this Prospectus to (i) "Shares" or "Offer Shares" are to the beneficial interests in the Shares registered in book-entry form with the VPS; and (ii) "shareholder" is to a holder of the Shares registered as such in the VPS. For a further description of the VPS registration of the Shares, see Section 15.6 "VPS registration of the Shares".

For definitions of certain other terms used throughout this Prospectus, see Section 21 "Definitions and glossary".

The Company has engaged ABN AMRO, Danske Bank, DNB Markets, Nordea Markets and Pareto Securities AS ("**Pareto Securities**") as "**Joint Bookrunners**" and ING Bank N.V. ("**ING**"), Skandinaviska Enskilda Banken AB (publ.), Oslo Branch ("**SEB**") and Swedbank Norway, a branch of Swedbank AB (publ.) ("**Swedbank**") as "**Joint Lead Managers**". The Joint Bookrunners and the Joint Lead Managers are together referred to herein as the "**Managers**".

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Offer Shares between the time of approval of this Prospectus by the Norwegian FSA and the listing of the Offer Shares on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor the sale of any Offer Share, shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Rights Issue or the sale of the Offer Shares or the Subscription Rights other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or the Managers or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing. Information on the website of BW Offshore or any of its affiliates, any website directly or indirectly linked thereto or any other website mentioned in this Prospectus is not incorporated by reference into this Prospectus and prospective investors should not rely on any such website in making their decision to invest in the Offer Shares.

**The distribution of this Prospectus and the offer and sale of the Offer Shares and the Subscription Rights in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares or the Subscription Rights in any jurisdiction in which such offer, sale or subscription would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares and the Subscription Rights are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 19 "Selling and transfer restrictions".**

**By accepting delivery of this Prospectus, each holder of Subscription Rights or representative of such holder acknowledges that such holder or representative, including a depositary bank, may not exercise Subscription Rights on behalf of any person that is located in a jurisdiction in which it would not be permissible to make an offer of the Offer Shares and any such representative, including a depositary bank, will be required, in connection with any exercise of Subscription Rights, to certify that such exercise is not on behalf of such a person and is otherwise in accordance with the restrictions on the offer and sale of Offer Shares set forth in this Prospectus in Section 19 "Selling and transfer restrictions".**

This Prospectus and the terms and conditions of the Rights Issue as set out herein and any sale and purchase of Offer Shares and Subscription Rights hereunder shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue or this Prospectus.

**In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Rights Issue, including the merits and risks involved.** None of the Company or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer Shares or Subscription Rights regarding the legality of an investment in the Offer Shares or the Subscription Rights by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares or the Subscription Rights.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

**Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of the Shares and the Subscription Rights to residents and non-residents of Bermuda for exchange control purposes provided that the Shares are listed on certain specified stock exchanges, which such stock exchanges include the Oslo Stock Exchange or any other appointed stock exchange (as such term is defined in the Bermuda Companies Act) (an "Appointed Stock Exchange") on or within fourteen days of the relevant issue or transfer. In granting such consent, neither the Bermuda Monetary Authority nor any other relevant**

**Bermuda authority or government body accepts any responsibility for the Company's financial soundness or the correctness of any of the statements made or opinions expressed in this Prospectus.**

#### **NOTICE ABOUT NORDEA MARKETS**

Any Offer Shares offered or sold in the United States will be subject to certain transfer restrictions as set forth under Section 19.2 "United States". Nordea Markets is not a SEC registered broker-dealer and will only participate in the Rights Issue outside the United States. No action taken by the Company or any of the other Managers in the U.S. shall be attributed to Nordea Markets.

#### **NOTICE ABOUT ABN AMRO**

ABN AMRO is not a registered broker-dealer in the United States and to the extent that it intends to conduct activities in connection with the Rights Issue in the United States, it will do so through its affiliate, ABN AMRO Securities (USA) LLC, a U.S. registered broker-dealer, pursuant to applicable U.S. securities laws.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

**Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares or the Subscription Rights. The Offer Shares and the Subscription Rights have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and, subject to certain exceptions, may not be offered, sold, exercised, pledged, delivered or otherwise transferred directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. All offers and sales (a) in the United States will be made only to certain QIBs in reliance on an exemption from registration under the U.S. Securities Act and (b) outside the United States only in compliance with Regulation S. Prospective purchasers are hereby notified that sellers of Offer Shares or Subscription Rights may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See Section 19.2 "United States".**

Any Offer Shares or Subscription Rights offered or sold in the United States will be subject to certain transfer restrictions and each purchaser will be deemed to have made acknowledgements, representations and agreements, as set forth under Section 19.2 "United States".

NEITHER THE OFFER SHARES NOR THE SUBSCRIPTION RIGHTS HAVE BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED JUDGMENT UPON THE MERITS OF THE RIGHTS ISSUE OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purposes of enabling a prospective investor to consider purchasing the Offer Shares or the Subscription Rights. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised and any disclosure of its contents, without prior written consent of the Company, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Offer Shares or Subscription Rights or subscribe for or otherwise acquire the Offer Shares or Subscription Rights. Investors confirm their agreement to the foregoing by accepting the delivery of this Prospectus.

#### **NOTICE TO INVESTORS IN THE UNITED KINGDOM**

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom (the "**UK**") or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Subscription Rights and the Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

Each Manager has represented, warranted and agreed (i) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Offer Shares or the Subscription Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company and (ii) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares and the Subscription Rights in, from or otherwise involving the UK.

#### **NOTICE TO INVESTORS IN THE EEA**

In any member state of the EEA that has implemented the EU Prospectus Directive, other than Norway (each, a Relevant Member State), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the EU Prospectus Directive. The Prospectus has been prepared on the basis that all offers of Subscription Rights and Offer Shares outside Norway will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus for offer of securities. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares or Subscription Rights which is the subject of the Rights Issue contemplated in this Prospectus within any EEA member state (other than Norway) should only do so in circumstances in which no obligation arises for the Company or the Managers to publish a prospectus or a supplement to a prospectus under the EU Prospectus Directive for such offer. Neither the Company nor the Managers have authorised, nor do they authorise, the making of any offer of Shares or Subscription Rights through any financial intermediary.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any Offer Shares or Subscription Rights under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

- a) it is a qualified investor as defined in the EU Prospectus Directive; and
- b) in the case of any Offer Shares or Subscription Rights acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) such Offer Shares or Subscription Rights acquired by it in the Rights Issue have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where such Offer Shares or Subscription Rights have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares or Subscription Rights to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Subscription Rights or Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase any of the Offer Shares or Subscription Rights, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

See Section 19 "Selling and transfer restrictions" for certain other notices to investors.

#### **ENFORCEMENT OF CIVIL LIABILITIES**

The Company is an exempted company limited by shares incorporated under the laws of Bermuda. As a result, the rights of holders of the Shares will be governed by Bermuda law and the Company's memorandum of association (the "**Memorandum of Association**") and bye-laws (the "**Bye-laws**"). The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The members of the Company's board of directors (the "**Directors**" and the "**Board of Directors**", respectively) and the members of the Group's senior management (the "**Management**") are not residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Directors and members of Management in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any State or territory within the United States. Uncertainty exists as to whether courts in Norway or Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Directors or members of Management/officers under the securities laws of those jurisdictions or entertain actions in Norway or Bermuda against the Company or its Directors or members of Management/officers under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway or Bermuda. The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters with Norway or Bermuda.

#### **AVAILABLE INFORMATION**

The Company has agreed that, for so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such registered holder, upon the request of such holder, beneficial owner or prospective owner, the information required to be delivered pursuant to Rule 144A(d)(4) of the U.S. Securities Act.

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## 1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A– E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

### Section A – Introduction and Warnings

<p><b>A.1 Warning</b></p>	<p>This summary should be read as introduction to the Prospectus; any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
<p><b>A.2 Warning</b></p>	<p>Not applicable. No consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the Shares or the Subscription Rights.</p>

### Section B - Issuer

<p><b>B.1 Legal and commercial name</b></p>	<p>BW Offshore Limited.</p>
<p><b>B.2 Domicile and legal form, legislation and country of incorporation</b></p>	<p>The Company was incorporated on 7 June 2005 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act.</p>
<p><b>B.3 Current operations, principal activities and markets</b></p>	<p>BW Offshore is one of the world's leading offshore FPSO (Floating Production, Storage and Offloading) companies (source: EMA). The Group develops, owns, leases and operates FPSOs and FSOs (Floating Storage and Offloading units). As of the date of this Prospectus, the Group owns a fleet of 15 FPSOs (of which one is under construction) and one FSO. In addition, the Group also operates two FPSOs owned by clients.</p> <p>BW Offshore's primary activity areas are lease and operation services of FPSO units, as well as engineering, procurement, construction and installation services (EPCI) associated with the investment in new units. BW Offshore has a long track record in project execution and operations. During more than 30 years of experience, BW Offshore has executed 38 FPSO and FSO projects.</p> <p>BW Offshore is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa, supported by local onshore teams and an organisation with a global presence. At the date of this Prospectus, the Group has approximately 2,000 full-time employees (not including consultants/contract staff) and offices in 17 countries around the world, providing services to the Group's operations, and the Group has units operating offshore Brazil, Gabon, Indonesia, Ivory Coast, Mauritania, Mexico, New Zealand, Nigeria, UK and U.S.</p>
<p><b>B.4a Significant recent trends</b></p>	<p>Below is an overview of the developments and trends in the Group's business since 31 December 2015:</p>

	<p>Petrobras Americas has exercised the option to extend the fixed term of the lease contract for BW Pioneer from the first quarter of 2017 to the first quarter of 2020. As part of the contract extension, the Company has agreed to certain amendments to the charter rate. BW Offshore has, during the second quarter of 2016, replaced certain wire segments in the subsea mooring system for FPSO BW Pioneer. The cost for the replacement will be partly covered by insurance. During the replacement campaign, that took less than two months, the FPSO was disconnected. By early June 2016, the unit was hooked up again and production recommenced.</p> <p>In January 2016, BW Offshore also received a one-year contract extension for the lease and operation of the FPSO Umuroa during the quarter. The firm period has been extended to the fourth quarter of 2017 (from the fourth quarter of 2016). The FPSO is operating on the Umuroa field offshore New Zealand for AWE.</p> <p>FPSO BW Athena was demobilized in February and is currently in layup in Scotland. BW Athena has had an uptime of 98% since first oil in May 2012, and BW Offshore stood as duty holder for the unit. BW Athena first operated under a three-year contract, and the operation was extended with a contract with mutual termination right. BW Athena is a versatile and cost efficient floating production unit with an oil processing capacity of 28,000 barrels per day. The FPSO is now marketed for new opportunities.</p> <p>The Catcher project remains within budget and is scheduled for first oil in the second half of 2017. BW Offshore has previously reported that hull activities have slipped due to the yard's inability to progress the hull delivery in accordance with the contractual schedule. A mitigation plan has been implemented to minimise the impact to the overall project schedule. As of the first quarter of 2016, this mitigation plan has worked well as there has been no further slippage to the expected first oil date. Hull completion and topside integration is on schedule to commence in Singapore during the third quarter of 2016 at Keppel shipyard. The STP buoy and associated mooring equipment has been completed on schedule and is underway to the UK for offshore installation in the second quarter of 2016. BW Offshore has utilised USD 404 million of the USD 800 million bank financing for the Catcher project as per 31 March 2016.</p> <p>Cidade de São Mateus arrived at Keppel yard in Singapore during May 2016. The FPSO is currently undergoing inspection in collaboration with insurance loss adjusters to prepare for the repair scope.</p> <p>An onshore efficiency program and reorganisation of onshore staff commenced in the first quarter of 2016. The staff reduction program is expected to reduce onshore staff by 35% and the Company's annual cost base by around USD 30 million. In addition, a best practice process has also been initiated with a target of reducing offshore personnel costs by 10-15% and offshore R&amp;M spend by 10% through higher efficiency, renegotiated supplier agreements and subcontracts. This process will be implemented during 2016 with full effect from 2017.</p> <p>The 2016 Financial Plan was launched to secure a long-term financial platform; the Company has evaluated actions to secure the financial platform until March 2020, including equity injection, amortization reliefs and maturity extensions for both bank facilities and bonds.</p>						
<p><b>B.5</b>      <b>Description of the Group</b></p>	<p>The Company is a holding company and the operations of the Group are carried through the operating subsidiaries of the Company.</p>						
<p><b>B.6</b>      <b>Interests in the Company and voting rights</b></p>	<p>As of 28 June 2016, the Company had 3,385 shareholders. The Company's 20 largest shareholders as of the same date are shown in the table below.</p>						
<p><b>#</b>      <b>Shareholders</b></p>	<table border="1"> <thead> <tr> <th data-bbox="616 1991 906 2022"></th> <th data-bbox="906 1991 1246 2022"><b>Number of Shares</b></th> <th data-bbox="1246 1991 1447 2022"><b>Percent</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="616 2022 906 2051">1      BW Group Limited. ....</td> <td data-bbox="906 2022 1246 2051">342,312,248</td> <td data-bbox="1246 2022 1447 2051">49.75%</td> </tr> </tbody> </table>		<b>Number of Shares</b>	<b>Percent</b>	1      BW Group Limited. ....	342,312,248	49.75%
	<b>Number of Shares</b>	<b>Percent</b>					
1      BW Group Limited. ....	342,312,248	49.75%					

2	Fidelity Funds-Nordic Fund/SICAV .....	40,456,864	5.88%
3	State Street Bank and Trust Co.....	26,641,219	3.87%
4	Fidelity Puritan Trust: Fidelity .....	17,549,100	2.55%
5	Santander Securities Services, S.A. ....	9,418,942	1.37%
6	Carl Krogh Arnet .....	7,499,081	1.09%
7	Fid Blue Chip Val FD .....	7,014,500	1.02%
8	Fidelity Select Portfolios: Energy .....	6,733,065	0.98%
9	Skandinaviska Enskilda Banken AB.....	5,864,260	0.85%
10	Fidelity Investment Trust: Fideli.....	5,095,827	0.74%
11	Citibank, N.A. ....	4,714,474	0.69%
12	Nordea Bank Danmark A/S.....	3,846,653	0.56%
13	Nordnet Bank AB.....	3,828,500	0.56%
14	NHO - P665AK .....	3,787,938	0.55%
15	Citibank, N.A. ....	3,262,941	0.47%
16	Goldman Sachs & Co. ....	3,014,985	0.44%
17	Per Jacob Mørck.....	3,000,000	0.44%
18	Spjøt Invest AS.....	2,915,646	0.42%
19	Verdipapirfondet KLP AksjeNorge .....	2,890,510	0.42%
20	Verdipapirfondet DNB SMB .....	2,889,948	0.42%
	<b>Others</b> .....	185,269,303	26.93%
	<b>Total</b> .....	<b>688,006,004</b>	<b>100.00%</b>

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 16.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the date of this Prospectus, no shareholder, other than BW Group (approximately 49.75%), Fidelity Funds-Nordic Fund/SICAV (approximately 5.88%) and the Fidelity Funds (approximately 9.99%), holds more than 5% of more of the issued Shares.

BW Group holds more than 25% of the shares in the Company (meaning that BW Group has negative control over the Company with respect to certain resolutions). However, the Company is not aware of any persons or entities who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. The Shares have not been subject to any public takeover bids.

**B.7 Selected historical key financial information**

The following selected financial information has been derived from the Company's unaudited consolidated interim financial statements as at, and for the three month periods ended, 31 March 2016 and 2015 (the Interim Financial Statements) and the Company's audited consolidated financial statements as at, and for the years ended, 31 December 2015, 2014 and 2013 (the Financial Statements). The Financial Statements have been prepared in accordance with IFRS, while the Interim Financial Statements have been prepared in accordance with IAS 34.

The selected financial information included herein should be read in connection with, and is qualified in its entirety by reference to the Financial Information incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

<i>In USD million</i>	<b>Three months ended</b>		<b>Year ended</b>			
	<b>31 March</b>		<b>31 December</b>			
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>Restated</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i> <sup>2</sup>	<i>(audited)</i> <sup>1</sup>	<i>(audited)</i>
<b>Selected statement of income</b>						
Total revenues .....	214.4	236.8	1,108.0	1,070.4	956.2	982.4
Total expenses .....	(117.1)	(143.7)	(570.6)	(564.7)	(524.8)	(535.7)
Operating profit before depreciation,	97.4	93.2	537.8	527.5	443.1	447.4

amortisation and sale of assets .....						
Operating profit.....	36.2	36.7	(119.7)	304.7	178.9	181.4
Net financial expenses.....	(29.4)	(21.9)	(56.1)	(79.3)	(61.4)	(61.4)
Profit/(loss) before tax .....	6.8	14.8	(175.8)	225.4	117.5	120.0
Net profit/(loss) for the year .....	(2.9)	5.8	(216.3)	187.2	81.4	83.6
Other comprehensive income, net of tax .....	7.3	(7.8)	(3.7)	(30.9)	(21.3)	(21.4)
Total comprehensive income for the period .....	4.4	(2.0)	(220.0)	156.3	60.1	62.2

- Effective from 1 January 2014, the Group changed its accounting of jointly controlled companies to the equity method, based on the implementation of IFRS 11. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead JCEs that meet the definition of a joint venture must be accounted for using the equity method. Instead of consolidating the assets, liabilities, revenues and expenses, the Group will present its share of result from joint ventures on one line as revenues from joint ventures. The Group has considered the shareholding in LLC "Oil Terminal Belokamenka" as a joint venture, and have accounted for its shareholding according to the equity method. The change is applied retrospectively.
- The financial information for 2014 has been restated with USD 7.2 million as the Group has reclassified currency hedges to gain/(loss) financial instruments effective from 1 January 2015, as effects from gains or losses from currency hedges are a result of changes in exchange rates over a period of time rather than a result of operational performance.

<i>In USD million</i>	<b>As at 31 March</b>		<b>As at 31 December</b>			
	<b>2016 (unaudited)</b>	<b>2015 (unaudited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>	<b>Restated 2013 (audited)</b>	<b>2013 (audited)</b>
<b>Selected statement of financial position</b>						
Total non-current assets.....	2,863.9	3,061.0	2,839.8	3,116.4	2,918.5	2,910.7
Total current assets .....	523.8	477.5	599.9	552.5	421.9	443.9
Total assets .....	3,387.7	3,538.5	3,439.7	3,668.9	3,340.4	3,354.6
Total shareholder's equity .....	948.7	1,182.6	944.4	1,198.1	1,124.1	1,124.1
Total non-current liabilities .....	1,790.9	1,757.6	1,886.9	1,767.7	1,713.4	1,713.4
Total current liabilities .....	648.1	598.3	608.4	703.1	502.9	517.1
Total liabilities .....	2,439.0	2,355.9	2,495.3	2,470.8	2,216.3	2,230.5
Total equity and liabilities .....	3,387.7	3,538.5	3,439.7	3,668.9	3,340.4	3,354.6

- See note 1 to the selected statement of income above.

<i>In USD million</i>	<b>Three months ended 31 March</b>		<b>Year ended 31 December</b>			
	<b>2016 (unaudited)</b>	<b>2015 (unaudited)</b>	<b>2015 (audited)</b>	<b>2014 (audited)</b>	<b>Restated 2013 (audited)</b>	<b>2013 (audited)</b>
<b>Selected statement of cash flow</b>						
Net cash flows from operating activities.....	122.5	80.6	438.4	548.9	319.5	326.6
Net cash flows used in investing activities.....	(89.2)	(13.2)	(396.2)	(419.7)	(99.9)	(107.8)
Net cash flows from/(used in) financing activities .....	(45.1)	(131.5)	(135.8)	(46.2)	(185.2)	(185.2)
Net change in cash and cash equivalents .....	(11.9)	(64.1)	(93.6)	83.0	34.4	33.6
Cash and cash equivalents at beginning of the period .....	121.8	215.4	215.4	132.4	98.0	101.9
Cash and cash equivalents at end of the period.....	109.9	151.3	121.8	215.4	132.4	135.5

- See note 1 to the selected statement of income above.

<b>B.8</b>	<b>Selected key pro forma financial information</b>	Not applicable. No pro forma financial information has been prepared.
<b>B.9</b>	<b>Profit forecast or estimate</b>	Not applicable. No profit forecast or estimate is made.

<b>B.10</b>	<b>Audit report qualifications</b>	Not applicable. There are no qualifications in the audit reports.
<b>B.11</b>	<b>Insufficient working capital</b>	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

### Section C - Securities

<b>C.1</b>	<b>Type and class of securities admitted to trading and identification number</b>	<p>The Company has one class of Shares in issue, common shares, and all Shares in that class have equal rights to all such other shares in that class as set out in the Bye-laws.</p> <p>The Shares have been created under the Bermuda Companies Act and the beneficial interests in the Shares are registered in the VPS under ISIN BMG1190N1002. All the Shares rank in parity with one another and carry one vote per share.</p>
<b>C.2</b>	<b>Currency of issue</b>	The Shares are issued in USD, but are quoted and traded in NOK on the Oslo Stock Exchange.
<b>C.3</b>	<b>Number of shares in issue and par value</b>	As at the date of this Prospectus, the Company's authorised share capital is USD 107,000,000 consisting of 10,700,000,000 Shares with a par value of USD 0.01 each, of which 688,006,004 Shares have been issued and fully paid.
<b>C.4</b>	<b>Rights attaching to the securities</b>	<p>The holders of Shares have no pre-emptive, redemption, conversion or sinking fund rights. The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the holders of Shares.</p> <p>Under Bermuda law, a company may not declare or pay dividends if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) that the realisable value of its assets would thereby be less than its liabilities. Issued share capital is the aggregate par value of the Company's issued shares, and the share premium account is the aggregate amount paid for issued shares over and above their par value. Share premium accounts may be reduced in certain limited circumstances. Under the Bye-laws, each of the Shares is entitled to such dividends as the Board of Directors may from time to time declare, subject to any preferred dividend right of the holders of any preference shares.</p>
<b>C.5</b>	<b>Restrictions on transfer</b>	<p>The Bye-laws provide that the Board of Directors may decline to register the transfer of any Share in the register of members and may direct the VPS Registrar to decline to register the transfer of any interest in a Share held through the VPS where such transfer would, in the opinion of the Board of Directors, be likely to result in 50% or more of the aggregate issued and outstanding Shares or Shares to which are attached 50% or more of the votes attached to all issued and outstanding Shares, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a "Controlled Foreign Company" as such term is defined under the Norwegian tax legislation.</p> <p>Subject to the above, shares that are listed or admitted to trading on an Appointed Stock Exchange, such as the Oslo Stock Exchange, may be transferred in accordance with the rules and regulations of such exchange.</p>
<b>C.6</b>	<b>Admission to trading</b>	The Shares are, and the Offer Shares will be, admitted to trading on the Oslo Stock Exchange. The Company currently expects commencement of trading in the Offer Shares on the Oslo Stock Exchange on or around 22 July 2016. The Company has not applied for admission to trading of the

	Shares on any other stock exchange or regulated market.
<b>C.7 Dividend policy</b>	<p>BW Offshore has an objective to generate competitive long-term total shareholder returns. This return will be achieved through sustainable growth and stable dividend payments. The level of dividends will be approved and evaluated by the Directors on a quarterly basis. In light of the reduction in industry activity levels that has gradually increased since 2014, the Board of Directors has reduced dividends payments throughout 2015, until it was decided to suspend dividend payments from the third quarter of 2015 until market visibility improves. Furthermore, as part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to the distribution of dividends.</p> <p>Dividends distributed to shareholders of the Company for the years 2015, 2014 and 2013 were USD 0.05, USD 0.12 and USD 0.10 per Share, respectively.</p>

**Section D - Risks**

<b>D.1 Key risks specific to the Company or its industry</b>	<p>The following is a summary of key risks that relate to the Group's business and industry, laws, regulations and litigation and financing and market risks. Investors should read, understand and consider all risk factors in this Prospectus, which should be read in their entirety, before making a decision to invest in the Offer Shares.</p> <p><b>Risks related to the business of the Group and the industry in which the Group operates, including:</b></p> <ul style="list-style-type: none"> <li>• The Group's business and services have been and will continue to be affected by the global offshore oil and gas market and any adverse developments in these markets could have a negative impact on the Group's profitability</li> <li>• A deterioration in global economic conditions could materially adversely affect the Group's business, financial condition and results of operations</li> <li>• The Group's units may not be successfully deployed for the duration of their useful lives</li> <li>• The Group may not be able to redeploy its vessels when client contracts expire or are terminated, which may have a material negative effect on the Group's financial position</li> <li>• The process of providing a FPSO or FSO is usually subject to set cost and time schedules and failure to comply may have a material negative effect on the Group's financial position</li> <li>• The Group is exposed to risk relating to early termination from clients</li> <li>• The Group's ability to fulfil its obligations to clients relies on the effectiveness and the quality of its sub-contracts</li> <li>• The Group operates across a wide variety of national jurisdictions, which exposes the Group to risks inherent in operating internationally and in politically unstable regions</li> <li>• The Group's operations involves inherent environmental and safety risks and accidents may have material adverse consequences for the Group's financial position</li> <li>• The Group operates in a business with inherent risk and the Group's own insurance may not be adequate to cover the Group's losses under the contracts or at law</li> <li>• The Group may suffer from loss of clients, or delay or default by clients could result in a significant loss of revenues and cash flows</li> </ul> <p><b>Risks related to laws, regulations and litigation, including:</b></p> <ul style="list-style-type: none"> <li>• Changes in laws, regulations and political environment may have an</li> </ul>
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	<p>adverse effect on the Group's results of operations</p> <ul style="list-style-type: none"> <li>• Compliance with environmental laws or other regulations may have an adverse effect on the Group's results of operations</li> <li>• The Group may be subject to litigation that could have an adverse effect on the Group's business</li> <li>• Changes in tax laws of any country in which the Group operates, or complex tax laws associated with international operations, could result in a higher tax expense for the Group</li> </ul> <p><b>Risks related to financing and market risk, including</b></p> <ul style="list-style-type: none"> <li>• The Group's operations are exposed to a number of financial risks</li> <li>• The 2016 Financial Plan may not be sufficient and the Group may require additional capital in the future in order to execute its growth strategy or for other purposes, which may not be available on favourable terms, or at all</li> <li>• Failure by the Group's major clients to meet their contractual obligations may have a material adverse effect on the Group's financial position</li> </ul>
<p><b>D.3 Key risks specific to the securities</b></p>	<p>The following is a summary of key risks that relate to the Shares, the Rights Issue and the Company's incorporation in Bermuda. Investors should read, understand and consider all risk factors in this Prospectus, which should be read in their entirety, before making a decision to invest in the Offer Shares.</p> <p><b>Risks related to the Shares, including:</b></p> <ul style="list-style-type: none"> <li>• The price of the Shares may fluctuate significantly</li> <li>• BW Group has significant voting power and the ability to influence matters requiring shareholder approval</li> <li>• The Company may not, or may be unable to, pay any dividends in the future</li> <li>• Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares</li> <li>• Investors may be unable to exercise their voting rights for Shares registered in a nominee account</li> <li>• The transfer of Shares and Subscription Rights is subject to restrictions under the securities laws of the United States and other jurisdictions</li> </ul> <p><b>Risks related to the Rights Issue, including:</b></p> <ul style="list-style-type: none"> <li>• Existing Shareholders who do not participate in the Rights Issue may experience significant dilution in their shareholding</li> <li>• An active trading market in Subscription Rights may not develop on the Oslo Stock Exchange and/or the market value of the Subscription Rights may fluctuate</li> <li>• The sale of Subscription Rights by or on behalf of Existing Shareholders may result in a reduction in the market price of the Subscription Rights and increased volatility in the Shares</li> <li>• If the Rights Issue is withdrawn, the Subscription Rights will no longer be of value</li> </ul> <p><b>Risks related to the Company's incorporation in Bermuda, including:</b></p> <ul style="list-style-type: none"> <li>• Investors in the United States may have difficulty enforcing any judgment obtained in the United States or other jurisdictions against the Company or its directors or executive officers</li> <li>• The Company's Bye-laws restrict shareholders from bringing legal action against the Company's officers and directors</li> </ul>

	<ul style="list-style-type: none"> <li>The Company has anti-takeover provisions in its Bye-laws that may discourage a change of control</li> </ul>
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**Section E – Offer**

<b>E.1</b>	<b>Net proceeds and estimated expenses</b>	<p>The net proceeds from the Rights Issue are expected to be approximately NOK 833 million.</p> <p>The total costs and expenses related to the Rights Issue are estimated to amount to NOK 23 million.</p>
<b>E.2a</b>	<b>Reasons for the Rights Issue and use of proceeds</b>	<p>Following the drop in the oil price since the second half of 2014, the oil and offshore market has been facing severe challenges. Simultaneously, the capital markets are challenging, as seen from fluctuations in oil and offshore companies bond yields. In addition, there are key circumstances particularly affecting the Company, including, inter alia, limitations on availability to refinance existing bond debt and risks related to the Company's installed, available and on order FPSOs.</p> <p>As result of this, the Company has been evaluating measures to address potential future liquidity challenges and to secure a credible long-term financial platform. The Company has carried out discussions with its bank facility providers, selected bondholders in the bond issues and largest shareholders in order to find a long-term financial platform. The financing plan which has been discussed is expected to contribute more than USD 500 million in improved liquidity in the period throughout 2020 and thereby give the Company a significant runway until an expected market recovery. The plan is a balanced solution where banks, bondholders and shareholders contribute. The solution requires a raising of USD 100 million through the Rights Issue.</p> <p>As further set out in Section 13 "The 2016 Financial Plan", the financial plan comprises of the following contributions:</p> <ul style="list-style-type: none"> <li><b>Banks (MUSD 2,400 Facility):</b> Extended maturity with two years until 2020; reduced amortization by 50% the next five semi-annual instalments; increased margin by 25bps; changed leverage ratio (IBD/EBITDA) from 5.50:1 to 6.00:1 until maturity; changed equity ratio covenants from 25% to 20%; and no dividend and bond buy back until maturity. <b>(Other credit facilities):</b> Changed leverage ratio (IBD/EBITDA) from 5.50:1 to 6.00:1; and changed equity ratio covenants from 25% to 20%. The Company has received the required consents from all of its lending banks to implement the amendments to the credit facilities.</li> <li><b>Bondholders (Unsecured bonds BWO01, BWO02, BWO03 and BWO04):</b> Extended maturity of all bond loans with an average of 2.3 years; partial redemption at par value with an average of 24.5% on the original maturity date; reduction of equity ratio from 25% to 20%; increase of margin to 450 bps in the extended period; inclusion of restriction on dividends; and adding of an American call option at par until extended maturity date. The amendments to the Company's bond loans were approved at a joint bondholders' meeting held on 9 June 2016.</li> <li><b>Shareholders:</b> The Rights Issue, fully underwritten by pre-subscriptions from the Pre-committing Shareholders (pro rata to their current holding) and underwritten by a group of key banks.</li> </ul> <p>The above contributions are conditional upon each other.</p> <p>The net proceeds from the Rights Issue are expected to be approximately NOK 833 million. The net proceeds will be used for general corporate purposes.</p>
<b>E.3</b>	<b>Terms and conditions of the</b>	The Rights Issue consists of an offer by the Company to issue

<p><b>Rights Issue</b></p>	<p>8,559,810,000 Offer Shares at a Subscription Price of NOK 0.10 per Offer Share, thereby raising gross proceeds of NOK 855,981,000. The Rights Issue is an integral part of the 2016 Financial Plan (see Section 13 "The 2016 Financial Plan").</p> <p>Existing Shareholders will be granted tradable Subscription Rights that, subject to certain limitations based on applicable laws and regulations, provide preferential rights to subscribe for, and be allocated, Offer Shares at the Subscription Price in the Rights Issue. Over-subscription and subscription without Subscription Rights will be permitted; however, there can be no assurance that Offer Shares will be allocated for such subscriptions.</p> <p>Subject to certain conditions, as further described in Section 18.20 "The Underwriting" below, BW Group has undertaken to subscribe for Offer Shares based on its pro rata holding in the Company corresponding to 49.9349% of the Rights Issue (i.e. NOK 427,432,991.50) and the other Pre-committing Shareholders have undertaken to subscribe for Offer Shares based on their respective holding in the Company corresponding to in total 10.4553% of the Rights Issue (i.e. NOK 89,495,377.60). The remaining part of the Rights Issue, i.e. the Offer Shares for which the Pre-committing Shareholders have not undertaken to subscribe, is underwritten by the Underwriters pursuant to, and subject to the conditions and limitations in, the Underwriting Agreement, as further described in Section 18.20 "The Underwriting" below.</p> <p>The Subscription Period will commence on at 09:00 hours (CET) on 1 July 2016 and end at 16:30 hours (CET) on 15 July 2016. The Subscription Period may not be shortened or extended, unless required by law.</p> <p>The Subscription Rights will be tradable and listed on the Oslo Stock Exchange with ticker code "BWO T" from and including 1 July 2016 to 16:30 hours (CET) on 13 July 2016. <b>The Subscription Rights will hence only be tradable during a part of the Subscription Period.</b></p> <p>The payment for Offer Shares allocated to a subscriber falls due on the Payment Date (20 July 2016).</p> <p>Subject to timely payment of the entire subscription amount in the Rights Issue, the Company expects that the Offer Shares will be delivered to the VPS accounts of the subscribers to whom they are allocated on or about 22 July 2016.</p> <p>The Offer Shares allocated in the Rights Issue are expected to be traded on the Oslo Stock Exchange from and including 22 July 2016.</p> <p>Completion of the Rights Issue is subject to certain conditions, see Section 18.4 "Conditions for completion of the Rights Issue".</p>
<p><b>E.4 Material and conflicting interests</b></p>	<p>The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. Furthermore, in connection with the Rights Issue, the Managers, their employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Existing Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Subscription Rights or Offer Shares and any other securities of the Company or other investments for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Rights Issue. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.</p>

	<p>Furthermore, the Managers will receive fees in connection with the Rights Issue and other parts of the 2016 Financial Plan and, as such, have an interest in the Rights Issue. See Section 18.21 "Net proceeds and expenses related to the Rights Issue" for information on fees to the Managers in connection with the Rights Issue.</p> <p>In addition, the Managers or their affiliates may be lenders to the Group and as such have an interest in the 2016 Financial Plan, of which the Rights Issue is an integral part. All of the Managers, except for Pareto Securities, are financing parties under the Group's credit facilities.</p>
<b>E.5</b>	<p><b>Selling shareholders and lock-up agreements</b></p> <p>There are no selling shareholders. Pursuant to the Underwriting Agreement, the Company has undertaken not to issue any Shares other than the Offer Shares issued in the Rights Issue for a period of four months from the Payment Date without the prior written consent of at least three of the Underwriters (other than as consideration for options, subscription rights and similar rights already issued at the date of the Underwriting Agreement or as part of incentive schemes for key employees).</p>
<b>E.6</b>	<p><b>Dilution resulting from the Rights Issue</b></p> <p>The Rights Issue will result in an immediate dilution of approximately 92.6% for Existing Shareholders who do not participate in the Rights Issue.</p>
<b>E.7</b>	<p><b>Estimated expenses charged to investor</b></p> <p>Not applicable. The expenses related to the Rights Issue will be paid by the Company.</p>

## 2 RISK FACTORS

*An investment in the Offer Shares and/or the Subscription Rights involves inherent risk. Before making an investment decision, investors should carefully consider the risk factors and all information contained in this Prospectus, including the Financial Information and related notes. The risks and uncertainties described in this Section 2 are the principal known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Offer Shares and/or the Subscription Rights. An investment in the Offer Shares and/or the Subscription Rights is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision in respect of the Offer Shares and/or the Subscription Rights. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Offer Shares and/or the Subscription Rights, resulting in the loss of all or part of an investment in the same.*

*The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialise individually or cumulatively. The information in this Section 2 is as of the date of this Prospectus.*

### 2.1 Risks related to the business of the Group and the industry in which the Group operates

**The Group's business and services have been and will continue to be affected by the global offshore oil and gas market and any adverse developments in these markets could have a negative impact on the Group's profitability**

Demand for FPSO and FSO services in connection with production in the offshore oil and gas sector can be negatively affected by a number of factors including decreases in oil and gas prices, fluctuations in investments in offshore developments and disappointing exploration results. On the supply side, there is uncertainty when it comes to the level of construction of new production units, the upgrading and maintenance of existing production units, the conversion of tankers into FPSO/FSOs, the level of future demobilisation activity and alternative uses for equipment as market conditions change.

Historically, demand for offshore exploration, development and production has been volatile and linked to the price of hydrocarbons. Low oil prices typically lead to a reduction in exploration as oil companies scale down their own investment budgets. Most of the Company's units are fixed on long-term contracts, and this, to some extent, reduces the Company's exposure against intermediate oil and gas fluctuations. The probability of options being exercised, existing contracts being extended or new contracts being obtained, as well as the terms of new contracts, may be negatively affected by reduction in actual reservoir reserves or in low oil and gas prices generally, which in turn could adversely affect the Company's business, financial condition, results of operations and prospects.

**A deterioration in global economic conditions could materially adversely affect the Group's business, financial condition and results of operations**

In recent years, the global economy and the volume of world trade have declined. Although there are signs that the economic recession has abated in many countries, there is still considerable instability in the world economy that could initiate a new economic downturn and result in a tightening in the credit markets, a low level of liquidity in financial markets, and volatility in credit and equity markets. A renewal of the financial crisis that affected the banking system and the financial markets may negatively impact the Group's business and financial condition in ways that the Group cannot predict. Economic downturns in the global financial markets may also lead to a decline in clients' operations or ability to pay for the Group's services, which could result in decreased demand for its vessels. The clients' inability to pay could also result in their default on the Group's current contracts and charters. A decline in the amount of services requested by the clients or their default on the Group's contracts with them could have a material adverse effect on the Group's business, financial condition and results of operations.

**The Group may be unable to keep up with its competitors which may have an impact on the Group's market share**

The FPSO industry is highly competitive. The Company competes with other companies with an equal or larger resource base. Also, companies not previously involved within the FPSO industry may choose to acquire units to establish themselves as players in the industry and as such provide competition for the Company. If the Company fails to keep up with the current competition in the market, or any increased competition, this could adversely affect the

Company's business, financial condition, results of operations and prospects.

**The Group's units may not be successfully deployed for the duration of their useful lives**

There can be no assurances that the Company's FPSOs and FSOs will be successfully deployed for the duration of their useful lives. There will always be an exposure to technical risks, with unforeseen operational problems leading to unexpectedly high operating costs and/or lost earnings, additional investments, penalty payments, etc., which may have a material effect on the earnings and financial position of the Company. There are several factors that can contribute to an accident, including, but not limited to, human errors, harsh environment and weather conditions, faulty constructions etc. Also, the units could be requisitioned by a government in the case of war or other emergencies or become subject to arrest which could significantly and adversely affect the earnings of the relevant unit. If any of these risks materialise, this could adversely affect the Company's business, financial condition, results of operations and prospects.

**The Group may not be able to redeploy its vessels when client contracts expire or are terminated, which may have a material negative effect on the Group's financial position**

Offshore oil and gas fields vary and FPSOs have to be designed to meet specific requirements related to total production volumes, type of oil, various levels of associated produced gas and water. The equipment required to separate and process the oil, gas and water is dependent on pressure, temperature and chemical compositions. In some cases produced water is cleaned to very strict specifications and over boarded or in some cases reinjected into the reservoir. Gas can after cleaning and treatment be exported, reinjected or consumed on the vessel for power generation. Different geographical locations also have different wind, wave and current conditions, and particularly, different water depths, that in combination requires quite different designs, and especially for the mooring and riser systems, to permanently moor the FPSO on location and transfer fluids between reservoir and vessel.

All the above make FPSOs, by nature, bespoke and not as generic in its performance envelope, compared to an offshore operated asset. The Company's units are generally equipped according to specifications from the client. The contracts are usually structured to secure an acceptable return on the investment within the contract period. When the contracts expire, or are terminated early, the Company may encounter difficulties redeploying the units at existing rate levels, or even redeploying the units at all. The cancellation or postponement of one or more contracts or the failure to obtain new contracts on attractive terms can have an adverse impact on the Company's business, financial condition, results of operations and prospects.

**The process of providing an FPSO or FSO is usually subject to set cost and time schedules and failure to comply may have a material negative effect on the Group's financial position**

The Company has from time to time entered into a single contract for the construction or conversion of a tanker into an FPSO or FSO to service a specific project. The contract typically stipulates a date of delivery and a specific price or day-rate. In the case of late delivery of work or equipment, the Company may be in a position to impose penalties on the yards and suppliers. Despite these efforts there can be no assurances that delays and cost overruns will not occur and such events, if occurring, could have an adverse impact on the financial position of the Company.

The construction of FPSO and FSOs and the conversion of tankers is based on proven methods and technology that has been tested under real operating conditions. The Company continually seeks to stay on top of new technology by focussing on technology expertise with both in-house and outsourced consultancy and research and development in hull, mooring and process technologies, and to implement such new technology into the FPSO/FSOs in a safe and cost competitive way. There is a risk that such new technology may not function as expected and thus resulting in modifications or delays. Such modifications or delays, if occurring, could have an adverse impact on the Company's business, financial condition, results of operations and prospects.

**The Group is exposed to risk relating to early termination from clients**

In line with industry practice, a contract will normally contain clauses which could give the client a right of early termination under specified conditions. The Company has as far as possible tried to limit the possibilities of clients to terminate for convenience and if the clients should elect to do so, the Company will be compensated accordingly. However, clients may under certain circumstances have termination rights, for example in the event of force majeure or the Company's material breach of contract. There is a risk that if such termination should occur, the event could have adverse impact on the Company's business, financial condition, results of operations and prospects.

**The Group's ability to fulfil its obligations to clients relies on the effectiveness and the quality of its sub-contracts**

The Company is dependent upon the ability of its sub-contractors to provide key materials, components, finished products and services, often custom-made, which meet specifications, quality standards, documentation requirements and delivery schedules of the Company. The Company has processes to qualify sub-contractors and will investigate their financial health. Regardless of this, delays or deficiencies in deliveries from sub-contractors may occur and the Company could become liable for such delays or deficiencies and might not be in a position to reclaim full coverage from the sub-contractor e.g. due to the adverse effect or if the sub-contractor becomes insolvent. Difficulties the Company encounters with such subcontractors could adversely affect the Company's production schedules, liabilities towards the client and reputation, which in turn could adversely affect the Company's business, financial condition, results of operations and prospects.

**The Group may be unable to attract and retain key management personnel and other employees, which may negatively impact the Group's financial position**

The Company's success depends, to a significant extent, upon its management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel is important to the expansion of the Company's business. The Company faces competition for skilled personnel. There is no assurance that the Company will successfully attract and retain personnel required to continue to successfully execute its business strategy. If the Company does not succeed in this respect, this could adversely affect the Company's business, financial condition, results of operations and prospects.

**The Group operates across a wide variety of national jurisdictions, which exposes the Group to risks inherent in operating internationally and in politically unstable regions**

The Company is active in a number of regions. Some of these are politically volatile. Changes in the legislative, political, regulatory and economic framework in the regions in which the Company carries out business could have a material impact on production and development activity or adversely affect the Company's operations directly or indirectly, which in turn could adversely affect the Company's business, financial condition, results of operations and prospects. Changes in political regimes or political instability may also negatively affect the Company's operations in foreign countries, as well as risk of war, other armed conflicts and terrorist attacks.

**The Group's operations involves inherent environmental and safety risks and accidents may have material adverse consequences for the Group's financial position**

The Company recognizes the risks and potential hazards involved in owning, operating and managing a large, diversified fleet of units worldwide. These risks include vessel performance in accordance with statutory requirements and additional client requirements for health and safety, security and quality issues.

Casualties and property and environmental damages from operations can have serious consequences and, hence, offshore oil and gas production is one of the most heavily regulated industries in the world. Any accident may have serious consequences for the Company's financial position due to loss of income, repair costs, claims and damages and indirect loss relating to client satisfaction. The accidental discharge of oil, natural gas or other pollutants into the air or water may give rise to liabilities towards the Company's clients, foreign governments and third parties, and may require the Company to incur costs to remedy such discharge. The Company has obtained insurance in respect of environmental liabilities, but any liability for the Company pursuant to the aforementioned could adversely affect the Company's business, financial condition, results of operations and prospects.

In February 2015, BW Offshore was significantly affected by the gas explosion onboard the FPSO Cidade de São Mateus, where nine of the crew members were killed and several others were injured. Among the outcomes of this incident, including potential increase in casualty insurance, BW Offshore will directly or indirectly (through claims by Petrobras as the concessionaire) be exposed to claims, damages, fines or penalties imposed by the Brazilian regulators and other governmental authorities.

**The Group's international operations are exposed to the risk of acts of piracy, which could result in increasing costs of operations**

Acts of piracy on vessels have recently increased in frequency, which could adversely affect BW Offshore's business. Acts of piracy have historically occurred in areas where BW Offshore has operated, such as the west coast of Africa and there is a risk that acts of piracy will continue to occur in this area, as well as other regions. The risk for BW Offshore could be mitigated through security arrangements and insurance, but such arrangements could be unavailable, only available at increased costs or prove to be insufficient. In addition, crew costs could also increase if

piracy continues to be a risk. Detention hijacking as a result of an act of piracy against the vessels, or an increase in cost or unavailability of insurance for BW Offshore's vessels could have a material adverse impact on its business, financial condition and results of operations.

**The Group's international operations face the risk of terrorist attacks, acts of war, escalation of hostilities, riots and civil unrest, the eventuation of which could adversely affect the Group's business, results and financial position**

Some of the international regions in which the Group operates are politically and economically unstable. Changes in political regimes or other political instability, as well as the risk of war, other armed conflicts and general unrest, may negatively affect the Group's operations in foreign countries. Some of the Group's operations takes place in regions which present identifiable security risks, including the risk of terrorism. Although the Group has not been victim to terrorist attacks, there can be no assurance that it will not happen in the future, the occurrence of which could adversely affect the Group's business.

**The Group's lack of market diversification could adversely affect the Group's business, financial condition and operating results**

The Company's assets are concentrated in a single industry and the Company may be more vulnerable to particular economic, political, regulatory, environmental or other developments than would a company with a portfolio of various industry activities. However, the Company has a portfolio of FPSO/FSOs and could thus be less vulnerable to operational risks than corresponding companies holding only one or two units.

**In pricing contracts with clients, the Group relies on cost quotes from its suppliers and subcontractors, and must also make assumptions and estimates. If third-party quotes, or the Group's own assumptions or estimates of the overall risks, revenue, capital requirements, operating costs or other costs of any particular project or contract prove inaccurate, or if circumstances change such that those quotes, assumptions or estimates prove inaccurate, then lower than anticipated profit may be achieved, or a loss may be incurred on such projects.**

In pricing contracts with clients, the Group relies inter alia on cost quotes from its suppliers and subcontractors, and must also make its own assumptions and estimates. Errors in assumptions and estimates can arise in the context of, or as a result of, amongst other things, the following:

- Estimation errors regarding technical aspects of the project, as well as engineering and design errors.
- Errors in the estimation of the number of man-hours it will take to complete (the different phases of) a project.
- Errors in the estimation of the cost of raw materials and components.
- Implementation errors, such as workmanship failures, equipment failures and defective performance by subcontractors and partners in so far as not covered by these parties' rework.
- Unanticipated offshore conditions (including adverse weather conditions), which may reduce productivity levels and result in delays in project execution.

If third-party cost quotes or any of these assumptions or estimates should prove incorrect, the Group may incur additional costs that may not be recoverable from the relevant customer, and may force the Group to devote additional capital and resources to ensure delivery in accordance with agreed schedules. As a consequence, lower than anticipated profit may be achieved, or a loss may be incurred in relation to the relevant project. Remedial actions may adversely affect the working capital and cash flows of the Group. The Group may also incur penalties if the delivery schedule, or other contractual commitments to customers, are not met, or the client may terminate the relevant contract. The impact of each of these risks is magnified in the case of large and complex projects.

The risk also exists that for lease projects, the optimum balance between capital expenditures and operational expenditures or penalties has not been sufficiently assessed: for instance, a decision can be made to select a certain configuration or type of equipment, which is technically sound to fulfil performance requirements, but may prove more expensive than anticipated to maintain or to operate, or for which performance may be affected by unforeseen factors (e.g. availability of spare parts, time to fix defects) that will result in downtime of the facilities and potential financial penalties. Life cycle costing considerations may be difficult to fully appraise during bid phase or during project

execution.

If any quotes, assumptions or estimates used by the Group in pricing particular contract subsequently prove to be incorrect, this may result in the actual margin on that contract being less than the expected margin, which may in turn affect the Group's results of operations. In addition, the Group may be required to devote additional capital and resources to ensure delivery in accordance with the delivery schedule agreed with the relevant client. The Group may incur penalties if the delivery schedule or other contractual commitments to clients are not met, or the client may terminate the relevant contract.

**The Group's lease and operate contracts expose the Group to the risk of inaccuracies in relation to the determination of the residual value of vessels. Correctly estimating the residual value is an important component of the lease rate calculation. If the actual residual value is below the estimated future market value, this may adversely affect the Group's business, results and financial condition.**

The Group's lease and operate contracts expose the Group to the risk of inaccuracies in relation to the determination of the residual value of vessels. Residual value risk relates to the portion of the vessel which is not amortised over the initial lease period. Determining the residual value involves taking a view on the likelihood of the lease being extended, the technical reusability of the vessel and the expected market demand for that vessel on expiry of the current lease. Correctly estimating the residual value is an important component of the lease rate calculation. If the Group fails to correctly establish these key parameters, the actual residual value may turn out to be below the estimated future market value and the Group's business, results and financial condition may be adversely affected.

**Clients may exercise purchase options which will have a negative impact on the Group's income**

Certain clients have purchase options attached to the units contracted from BW Offshore. If a client exercises its right to purchase a unit, the Company will receive the agreed compensation, but will not receive any further revenue from the unit. Furthermore, the FPSO YÜUM K'AK'NÀAB is a financial lease, which means that the ownership will be automatically transferred to the client without further compensation to BW Offshore after the end of its contract, expiring in 2022.

**The Group operates in a business with inherent risk and the Group's own insurance may not be adequate to cover the Group's losses under the contracts or at law**

The operation of any offshore unit represents a potential risk of major losses and liabilities, death or injury of persons and property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, and other circumstances or events. An accident involving any of the Company's units could result in loss of revenue, fines or penalties, higher insurance costs and damage to the Company's reputation. BW Offshore has comprehensive insurance programs structured with a view to offer adequate protections and compensations emanating from both legislative and contractual requirements. However, the Company may not have sufficient insurance coverage for the entire range of risks to which it is exposed under the contracts or at law, and any particular claim may not be paid. There is also the possibility that, in the future, the Company may be unable to procure similar adequate insurance coverage at the terms and conditions equal to those it currently has. Any significant loss or liability for which BW Offshore is not insured could have an adverse effect on its business, financial condition and results of operations.

**The Group may suffer from loss of clients, or delay or default by clients could result in a significant loss of revenues and cash flows**

The Company is reliant on its client base with large and stable international companies and that these clients perform during the whole contract period. Recent developments within the oil and gas industry, including drop in the oil price has led to an increased risk of loss of or non-performance from these clients. The loss of existing clients which are significant to the Group's business, or a delay, default or decline in payments under the Company's client agreements, could have a material adverse effect on the Group's business, financial condition and results of operations.

**Labour interruptions could mean that the Group may not be able to operate its units**

If individuals of the crew on board the Group's vessels are involved in a strike or other form of labour unrest, the Group may not be able to operate its vessels, which could have a material adverse impact on its business, results of operations and financial condition.

**The Group has entered into related party transactions and may enter into related party transactions in the future**

The Company has entered, and may in the future, enter into agreements with BW Group or parties related to BW Group. Although BW Offshore believes that the transactions with BW Group and its affiliates are on arm's length

terms, the Company cannot assure that conflicts of interest will not arise in the future, including in relation to, or as a result of, new business opportunities.

## **2.2 Risks related to laws, regulations and litigation**

### **Changes in laws, regulations and political environment may have an adverse effect on the Group's results of operations**

Operations in international markets are subject to risks inherent in international business activities, including, in particular, fluctuating economic conditions, overlapping and differing tax structures, managing an organisation spread over various jurisdictions, unexpected changes in regulatory requirements and complying with a variety of foreign laws and regulations, including local content requirements. Changes in the legislative, governmental and economic framework governing the activities of the industry in which the Group operates, could also have a material negative impact on the Group's results of operations and financial condition. Political decisions made in the countries and regions in which the Group's vessels operate may further expose the Group to political, governmental and economic instability, which could in turn materially adversely affect the Group's business, financial condition and operating results.

### **Compliance with environmental laws or other regulations may have an adverse effect on the Group's results of operations**

The activities of the Company are subject to environmental regulation pursuant to a variety of international conventions, state and local laws and regulations. Compliance with such regulation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Existing environmental laws may result in a material increase in the costs of operating the Company's units or otherwise adversely affect the Company's financial condition, results of operations and prospects. Environmental laws may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company which were in compliance with all applicable laws at the time such actions were taken. Furthermore, some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, which could result in liability for environmental damage without regard to negligence or fault.

The legal framework under which the Group operates consists of extensive and changing international conventions and national, state and local laws and regulations governing environmental matters in the jurisdictions in which the Group's vessels operate and in the country in which such vessels are registered. In addition, legal and regulatory changes, including by the local coastal states and/or other local governing authorities, due to concerns relating to, amongst others, chemical and gas emissions, health and safety, operation and installation of offshore equipment, and climate change, may impose significant requirements on the Group's vessels. See Section 8.12 "Environmental and other regulation" for a description of the environmental and other regulations applicable to BW Offshore and its business. Compliance with future changes in laws and regulations could increase the costs of construction, leasing, operating and maintaining the Group's vessels, and may result in operational changes or restrictions, decreased availability of insurance coverage or increased policy costs for environmental matters or result in the denial of access to certain jurisdictional waters or ports or detention in certain ports. Regulations related to the Group's vessels and its operations, particularly in the areas of health, safety and environmental matters, may change in the future and require the Group to incur significant capital expenditures and/or additional operating costs in order to keep the Group's vessels in compliance.

### **Failure to obtain and keep required regulatory permits and licenses may have a material negative effect on the Group's operations**

Significant parts of the Company's activities require licenses and permits from authorities in the countries in which it operates, see Section 8.12 "Environmental and other regulation". There can be no assurances that BW Offshore will be able to obtain all necessary licenses and permits that may be required to carry out its operations in the future. If the present permits and licenses are terminated or withdrawn, such event could have a negative effect on the Company's business, financial condition, results of operations and prospects.

### **The Group may be subject to litigation that could have an adverse effect on the Group's business**

The Group is and may in the future be involved from time to time in litigation matters. These matters may include, among other things, contract disputes, claims from clients as a result of losses suffered by them in connection with fines, penalties or other sanctions imposed by the regulators and other governmental authorities, environmental claims or proceedings, personal injury claims, employment matters and governmental claims for taxes or duties as well as other litigation that arises in the ordinary course of business. The Group cannot predict with certainty the outcome of any claim or other litigation matter. The ultimate outcome of any litigation matter and the potential costs

associated with prosecuting or defending such lawsuits, including the diversion of management's attention to these matters, could have a material adverse effect on the Group.

**Changes in tax laws of any country in which the Group operates, or complex tax laws associated with international operations, could result in a higher tax expense for the Group**

The Company's and/or its subsidiaries' own activities will to a large extent be governed by the fiscal legislation of the jurisdictions where it is operating, as its activities in most cases will be deemed to form a permanent establishment according to the tax laws of those countries. Thus, the Company is exposed to a material risk regarding the correct application of the tax regulations as well as possible future changes in the tax legislation of those relevant countries. For instance, in September 2013, the Group received a notice from the Indonesian Directorate General of Taxation ("DGT") informing that the VAT exemption issued for the importation of FPSO BW Joko Tole has been revoked. Management and the Group's Indonesian advisors have attended meetings with officials of the DGT to assert the Group's position that the revocation of the exemption was unfounded and contrary to Indonesian law. As at the date of this Prospectus, no formal VAT assessment has been issued.

In addition, the Company is to a certain extent being exposed to different rules of customs duty. Any incorrect application or changes in tax regulations or customs duty, could adversely affect the Company's business, financial condition, results of operations and prospects.

**Technology disputes involving the Group, the Group's suppliers or sub-suppliers could impact the Group's operations or increase its costs**

Operating the Group's units will utilise patented or otherwise proprietary technology, and consequently involve a potential risk of infringement of third party rights. The majority of the intellectual property rights relating to the Group's units and related equipment are owned by the Group's suppliers or sub-suppliers. In the event that one of the Group's suppliers or sub-suppliers, or the Group, becomes involved in a dispute over infringement or intellectual property rights relating to equipment owned or used by the Group, the Group may lose access to repair services, replacement parts, or could be required to cease use of some equipment. The Group could also be required to pay royalties for the use of equipment. Technology disputes involving the Group's suppliers, sub-suppliers or the Group could adversely affect the Group's financial results and operations.

**Employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations could harm the Group's reputation, reduce its revenue and profit, and subject it to administrative, criminal and civil enforcement actions**

Misconduct, fraud or non-compliance with applicable government laws and regulations, or other improper activities by any of the Group's employees, agents or partners could have an adverse effect on its business and reputation. Such misconduct could include the failure to comply with government procurement regulations, competition laws and regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labour and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations.

The policies within the Group enforce compliance with these regulations and laws and the Group takes precautions intended to prevent and detect misconducts. However, since the Group's internal controls are subject to inherent limitations, including human errors, it is possible that these controls should be intentionally circumvented or become inadequate because of changed conditions. As a result, the Group cannot ensure that its controls will protect it from reckless or criminal acts committed by its employees, agents, partners and others. Failure to comply with applicable laws or regulations or acts of misconduct could subject the Group to fines and penalties and suspension or debarment from contracting, any or all of which could harm the Group's business and reputation, subject the Group to administrative, criminal and civil enforcement actions and adversely affect its business, results and financial condition.

### **2.3 Risks related to financing and market risk**

**The Group's operations are exposed to a number of financial risks**

The Group's activities expose the Company to a number of financial risks: Price risk (including currency risk and market risk), credit risk, liquidity risk and interest rate risk. Historically, demand for offshore exploration, development and production has been volatile and closely linked to the oil price. Low oil prices typically lead to a reduction in exploration as the oil companies' scale down their own investment budgets. A decrease in the oil prices may have an adverse impact on the business prospects and financial position of the Company. A prolonged market with low oil price might require assumptions to be changed, which in turn can result in impairment on assets.

**The 2016 Financial Plan may not be sufficient and the Group may require additional capital in the future in order to execute its strategy or for other purposes, which may not be available on favourable terms, or at all**

No assurance can be given that the 2016 Financial Plan (as defined below) will be sufficient and that the Group will not require additional funds in order to execute its strategy, or for other purposes. The Group's business is capital intensive and, to the extent the Group does not generate sufficient cash from operations together with the cash proceeds from the 2016 Financial Plan, the Company or its subsidiaries may need to raise additional funds through public or private debt or equity financing to fund operations and capital expenditures. Adequate sources of funds may not be available, or available at acceptable terms and conditions, when needed. If the Group raises additional funds by issuing additional equity securities, the existing shareholders may be significantly diluted. If funding is insufficient at any time in the future, the Group may be unable to fund maintenance requirements and acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could materially and adversely impact the Group's business, results of operations, cash flows, financial condition and/or prospects.

**The Group is subject to covenants under its financial arrangements that limit its operating and financial flexibility**

The Group's MUSD 2,400 Facility, Catcher Facility, Joko Tole Facility, Umuroa Facility, Petr leo Nautipa Facility and the Group's series of senior unsecured debt obligations contain certain covenants, which are customary in financing of this type, which impose restrictions on the Group's operations, and impose financial restrictions on the Group. These agreements may limit the Group's ability to, amongst other things: incur additional indebtedness, make certain restricted disposals, conduct mergers, demergers and other corporate reconstructions, make investments or acquisitions. In particular, the Group is subject to certain financial covenants, as well as restrictions on its ability to pay dividends or other distributions, as well as a change of control of the Company. These covenants are subject to exceptions and qualifications. See Sections 11.6.2 "Credit facilities" and 11.6.3 "Bonds" for a description of the key covenants applicable under the credit facilities and the senior unsecured debt. In addition, the Group is subject to certain reporting covenants. These restrictions on the Group's current operations may limit its ability to engage in certain activities, which may have an adverse effect on other covenants under its financing arrangements, such failure may constitute an event of default leading to acceleration of outstanding amounts. Even if the Group carefully monitors the key financial indicators and ratios, there is no assurance that the Group will be able to comply with financial covenants in the future also following the 2016 Financial Plan. Failure to do so may have a material adverse effect on the Group's business, results of operations, financial conditions and/or prospects.

**Failure by the Group's major clients to meet their contractual obligations may have a material adverse effect on the Group's financial position**

Several of BW Offshore's contracts are long-term, and there can be no guarantees that the financial position of the Company's major clients will not materially change during the contracted period. Given the limited number of major clients of the Company and the significant portion each of them represent of BW Offshore's income, the inability or unwillingness of one or more of them to make full payment on any of the Company's contracted units may have a significant adverse impact on the financial position of the Company. The Company attempts to reduce credit risk by requiring parent company or bank guarantees, but if the Company fails to mitigate the risk sufficiently, this could adversely affect the Company's business, financial condition, results of operations and prospects. A negative reservoir development may affect the oil company's ability to fulfil its obligations within the fixed contract, and the probability for options to be exercised and extension of contracts to be entered into will be negatively affected by a reduction in actual reservoir reserves. The Group is exposed to certain credit risk related to agreements entered into with clients such as yards used for conversions. The maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. Counterparties for derivative financial instruments are normally a bank and the credit risk linked to these financial derivatives is limited.

**Interest rate fluctuations could affect the Group's cash flow and financial condition**

The Group has incurred, and may in the future incur, significant amounts of debt. The Group is exposed to interest rate risk primarily in relation to its long-term borrowings issued at floating interest rates. If the Group were to hedge some or all of its interest rate exposure, there can be no assurance that such hedging arrangements will be effective. As such, movements in interest rates could materially and adversely affect the Group's business, results of operations, cash flows, financial condition and/or prospects.

**Significant fluctuations in foreign currency may have a material negative effect on the Group's financial condition and results of operations**

The functional currency of the Company and most of its subsidiaries is USD. In general, most of the operating revenue

and operating expense as well as interest bearing debt are denominated in USD. The Group is exposed to expenses incurred in currencies other than USD (foreign currencies), the major currencies being Norwegian Kroner (NOK), Singapore Dollars (SGD), British Pounds (GBP), Brazilian Reals (BRL), Japanese Yen (JPY) and Euro (EUR). Operating expenses denominated in NOK, SGD, BRL, GBP and EUR constitute a part of the Group's total operating expenses. However, capital expenditures related to ongoing conversions of FPSOs and the construction contracts regarding oil field related equipment will to some extent be denominated in other currencies than USD. Consequently, fluctuations in the exchange rate of NOK, SGD, GBP, BRL, JPY and EUR may have significant impact on the financial statements of the Group. The exchange-rate risk is calculated for each foreign currency and takes into account assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question.

## **2.4 Risks related to the Shares**

### **The price of the Shares may fluctuate significantly**

An investment in the Shares may decrease in market value as well as increase. The market value of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control, including, but not limited to, quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, announcements by the Company or its competitors of new product and service offerings, significant contracts, acquisitions or strategic relationships, publicity about the Company, its products and services or its competitors, lawsuits against the Group, unforeseen liabilities, changes in management, changes to the regulatory environment in which it operates or general market conditions, or any other risk discussed herein materialising or the anticipation of such risk materialising.

In recent years, the global stock markets have experienced high price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in the oil and gas industry. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Group, and these fluctuations may materially affect the price of the Shares.

### **BW Group has significant voting power and the ability to influence matters requiring shareholder approval**

Following completion of the Rights Issue, BW Group is expected to remain the largest shareholder of the Company, thereby having the ability to significantly influence the outcome of matters submitted for the vote of the Company's shareholders, including the election of Directors to the Board of Directors. The commercial goals of BW Group as a shareholder, and those of BW Offshore, may not always be aligned and this concentration of ownership may not always be in the best interest of BW Offshore's other shareholders. For example, BW Group could delay, defer or prevent a change of control, impede a merger, deny a potential future equity offering, amalgamation, consolidation, takeover or other business combinations involving BW Offshore, or discourage a potential acquirer from attempting to obtain control of BW Offshore. Although it is expected that BW Group will remain the major shareholder of the Company, no assurance can be given that this will continue on a permanent basis. If BW Group no longer was a major shareholder of the Company, or if its commercial goals were not in the best interest of BW Offshore, this could have a material adverse effect on the market value of the Shares.

### **The Company may not, or may be unable to, pay any dividends in the future**

Pursuant to the Company's dividend policy, dividends are only expected to be paid if certain conditions described in Section 5.1 "Dividend policy" are fulfilled. As part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to the distribution of dividends. In addition, it may not be in the commercial interest of the Company to pay, or it may be unable to pay, dividends in future years. The amount of dividends paid by the Company, if any, for a given financial period, will depend on, among other things, the Company's future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, the ability of the Company's subsidiaries to pay dividends to the Company, credit terms, general economic conditions, legal restrictions, including, but not limited to, legal restrictions in the Group's loan agreements (as set out in Section 5.2 "Legal constraints on the distribution of dividends") and other factors that the Company may deem to be significant from time to time.

### **Future sales, or the possibility for future sales of substantial numbers of Shares may affect the market price of the Shares**

The Company cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on their market prices. Sales of substantial amounts of the Shares in the public market following the date hereof, or the perception that such sales could occur, may materially and adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares or the Company to sell equity securities in the future at a time and price that they deem appropriate.

**Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares**

The Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities or expenses or for any other purposes, including for refinancing purposes. Depending on the structure of any future offering, certain existing shareholders may not have the ability to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, the holdings and voting interests of existing shareholders could be diluted.

**Beneficial interests in the Shares are recorded in book-entry form with the VPS on the basis of the Registrar Agreement with the VPS Registrar. BW Offshore cannot guarantee that the VPS Registrar will fulfil its obligations and duties under the Registrar Agreement, which may lead to shareholders not being able to exercise their rights as beneficial holders of the underlying Shares.**

For the purpose of enabling trading in the Shares on the Oslo Stock Exchange, the VPS Registrar has registered the beneficial interests in the Shares in book-entry form with the VPS under the Registrar Agreement. The VPS Registrar is registered as holder of the Shares in the register of members that BW Offshore is required to maintain in Bermuda. Under the Registrar Agreement, the VPS Registrar has registered (and will register in respect of the Offer Shares) the beneficial interests in such Shares in book-entry form in the VPS. Accordingly, it is not the Shares of BW Offshore issued in accordance with the Bermuda Companies Act that will be subject to trading on the Oslo Stock Exchange, but the beneficial interests in such Shares registered in the VPS. In accordance with market practice in Norway and system requirements of the VPS, the beneficial interests in the existing Shares are, and with respect to the Offer Shares will be, registered in the VPS under the category of a "share". Although each "share" registered with the VPS will represent evidence of beneficial ownership of one common share in BW Offshore, such beneficial ownership would not necessarily be recognised by a Bermuda court. As such, investors may have no direct rights against BW Offshore and its Directors and officers and may be required to obtain the co-operation of the VPS Registrar in order to assert claims against BW Offshore and its Directors and officers, and to look solely to the VPS Registrar for the payment of any dividends, for exercise of voting rights attaching to the underlying common shares and for all other rights arising in respect of the underlying common shares. Exercising such shareholder rights through the VPS Registrar is subject to certain terms and conditions, as further described in Section 15.6.2 "The Registrar Agreement". BW Offshore cannot guarantee that the VPS Registrar will be able to execute its obligations under the Registrar Agreement, including that the beneficial owners of the Shares will receive the notice of a general meeting in time to instruct the VPS Registrar to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners. Any such failure may inter alia, limit the access for, delay or prevent, the beneficial shareholders being able to exercise the rights attaching to the underlying Shares.

The VPS Registrar may terminate the Registrar Agreement by giving not less than three months prior written notice. Further, the VPS Registrar may terminate the Registrar Agreement with immediate effect if BW Offshore does not perform its payment obligations to the VPS Registrar or commits any other material breach of the Registrar Agreement. In the event that the Registrar Agreement is terminated, BW Offshore will use its reasonable efforts to enter into a replacement agreement for purposes of permitting the uninterrupted trading of the Shares on the Oslo Stock Exchange. There can be no assurance, however, that it would be possible to enter into such an agreement on substantially the same terms or at all. A termination of the Registrar Agreement could, therefore, have a material and adverse effect on BW Offshore and the beneficial shareholders.

The Registrar Agreement limits the VPS Registrar's liability for any loss suffered by BW Offshore. The VPS Registrar disclaims any liability for any loss attributable to circumstances beyond the VPS Registrar's control, including, but not limited to, errors committed by others. The VPS Registrar is liable for direct losses incurred as a result from events within the VPS Registrar's control. Thus, BW Offshore may not be able to recover its entire loss if the VPS Registrar does not perform its obligations under the Registrar Agreement.

**Investors may be unable to exercise their voting rights for Shares registered in a nominee account**

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to any General Meeting. There is no assurance that beneficial owners of the Shares will receive the notice of any General Meeting in time to instruct their nominees to either effect a re-registration of the beneficial interests registered in the VPS or otherwise instruct the VPS Registrar to vote their Shares in the manner desired by such beneficial owners.

**The transfer of Shares and Subscription Rights is subject to restrictions under the securities laws of the United States and other jurisdictions**

None of the Shares or the Subscription Rights have been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside Bermuda (in respect of the Shares only) and Norway, and are not expected to be registered in the future. As such, the Shares and the Subscription Rights may not be offered or sold except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act and other applicable securities laws. See Section 19 "Selling and transfer restrictions". In addition, there can be no assurance that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

Bermuda law permits the transfer of shares listed or admitted to trading on an Appointed Stock Exchange such as the Oslo Stock Exchange, to be effected in accordance with the rules or regulations of such stock exchange without a written instrument of transfer. Further, the Bermuda Monetary Authority pursuant to the Exchange Control Act 1972 of Bermuda and related regulations has granted its consent for the issue and transfer of shares of the Company to residents and non-residents of Bermuda for exchange control purposes provided that shares of the Company are listed on the Oslo Stock Exchange or any other Appointed Stock Exchange on or within fourteen days of the relevant issue or transfer. Accordingly, the Shares can be registered in the VPS and title to the Shares can be evidenced and transferred without a written instrument and the consent of the Bermuda Monetary Authority for the issuance and transfer of the Shares shall apply as long as shares of the Company are listed on the Oslo Stock Exchange. If shares of the Company are no longer listed on the Oslo Stock Exchange or any other Appointed Stock Exchange, or if the Oslo Stock Exchange ceases to be an Appointed Stock Exchange, the Shares may only be transferred by written instrument in accordance with the terms of the Bye-laws of the Company and with the prior consent of the Bermuda Monetary Authority.

**Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK**

The Shares are, and the Offer Shares will be, traded in NOK on the Oslo Stock Exchange and, although any future payments of dividends on the Shares will be declared and denominated in USD, such dividends will be distributed through the VPS in NOK. Investors registered in the VPS whose address is outside Norway and who have not supplied the VPS with details of any NOK account, will however receive dividends by check in their local currency, as exchanged from the NOK amount distributed through the VPS. If it is not practical in the sole opinion of DNB, being the Company's VPS registrar, to issue a check in a local currency, a check will be issued in USD. The issuing and mailing of checks will be executed in accordance with the standard procedures of DNB, Foreign Payments Department. The exchange rate(s) that is applied will be DNB's rate on the date of issuance. Exchange rate movements of NOK will therefore affect the value of these dividends and distributions for investors whose principal currency is not NOK. Furthermore, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not NOK.

**2.5 Risks related to the Rights Issue**

**Existing Shareholders who do not participate in the Rights Issue may experience significant dilution in their shareholding**

Subscription Rights that are not traded or exercised by the end of the Subscription Period will have no value and will automatically lapse without compensation to the holder. To the extent that an Existing Shareholder does not exercise its Subscription Rights prior to the expiry of the Subscription Period, whether by choice or due to a failure to comply with procedures set forth in Section 18 "The terms of the Rights Issue", or to the extent that an Existing Shareholder is not permitted to subscribe for Offer Shares as further described in Section 19 "Selling and transfer restrictions", such Existing Shareholder's proportionate ownership and voting interests in the Company after the completion of the Rights Issue will be diluted. Even if an Existing Shareholder elects to sell its unexercised Subscription Rights, or such Subscription Rights are sold on its behalf, the consideration it receives in the trading market for the Subscription Rights may not reflect the immediate dilution in its shareholding as a result of the completion of the Rights Issue.

**An active trading market in Subscription Rights may not develop on the Oslo Stock Exchange and/or the market value of the Subscription Rights may fluctuate**

An active trading market in the Subscription Rights may not develop on the Oslo Stock Exchange. In addition, because the trading price of the Subscription Rights depends on the trading price of the Shares, the price of the Subscription Rights may be volatile and subject to the same risks as described for the Shares in Section 2.4 "Risks related to the Shares".

**The sale of Subscription Rights by or on behalf of Existing Shareholders may result in a reduction in the market price of the Subscription Rights and increased volatility in the Shares**

Certain Existing Shareholders may be unable to take up and exercise their Subscription Rights as a matter of applicable law. The Subscription Rights of such Existing Shareholders, with the exception of Subscription Rights held through financial intermediaries, may be sold on their behalf in the market by the Managers pursuant to instructions from the Company, as further described in Section 18.9 "Subscription Rights", but no assurance can be given as to whether such sales may actually take place or as to the price that may be achieved. Other holders of Subscription Rights may also choose not to exercise their Subscription Rights and therefore sell them in the market. The sale of Subscription Rights by or on behalf of holders of such rights could cause significant downward pressure on, and may result in a substantial reduction in, the price of the Subscription Rights and the Shares.

**If the Rights Issue is withdrawn, the Subscription Rights will no longer be of value**

If the Rights Issue is withdrawn, all Subscription Rights will lapse without value, subscriptions for, and allocations of, Offer Shares that have been made will be disregarded and any subscription payments made will be returned without interest or any other compensation.

**2.6 Risks related to the Company's incorporation in Bermuda**

**Investors in the United States may have difficulty enforcing any judgment obtained in the United States or other jurisdictions against the Company or its directors or executive officers**

The Company is an exempted company limited by shares incorporated under the laws of Bermuda. As a result, the rights of holders of the Shares will be governed by Bermuda law and the Company's Memorandum of Association and Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The members of the Board of Directors are not residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its directors and officers in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any State or territory within the United States. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against the Company or its directors or officers under the securities laws of other jurisdictions. The United States and Bermuda do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters.

**The Company's Bye-laws restrict shareholders from bringing legal action against the Company's officers and directors**

The Company's Bye-laws contain a broad waiver by its shareholders of any claim or right of action, both individually and on the Company's behalf, against any of the Company's officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against the Company's officers and directors unless the act or failure to act involves fraud or dishonesty.

**The Company has anti-takeover provisions in its Bye-laws that may discourage a change of control**

The Company's Bye-laws contain provisions that could make it more difficult for a third party to acquire the Company without the consent of the Board of Directors. These provisions provide, among other things:

- that the Board of Directors can decline to register certain transfers of shares where the transfer would likely result in 50% or more of the issued and outstanding shares or votes of the Company being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or such shares being effectively connected to a Norwegian business activity, or the Company being deemed a "Controlled Foreign Company" pursuant to Norwegian tax rules; and
- that the Board of Directors may issue any authorised but unissued shares of the Company, subject to any resolution of the Company's shareholders to the contrary.

These provisions could make it more difficult for a third party to acquire the Company, even if the third party's offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their Shares.

**Various conditions may cause an adverse tax effect for a shareholder if the Company pays dividends**

Dividends declared and paid by a Bermuda company may be subject to local tax in the investor's home country, and each investor should make such investigations for himself/herself. Norwegian investors will be subject to taxation as dividends will be deemed as taxable income for the receiver, and such dividends will be subject to 28.75% tax for individual shareholders resident in Norway for tax purposes, while such dividends will be subject to 25% tax for corporate shareholders resident in Norway for tax purposes. The same tax rates will apply with respect to capital gains for such investors. See Section 17 "Taxation" below for more details and Section 5 "Dividends and dividend policy" for more details on dividends and dividend policy.

### **3 RESPONSIBILITY FOR THE PROSPECTUS**

This Prospectus has been prepared in connection with the Rights Issue described herein and the listing of the Offer Shares on the Oslo Stock Exchange.

The Board of Directors of BW Offshore Limited accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

30 June 2016

#### **The Board of Directors of BW Offshore Limited**

Andreas Sohmen-Pao  
*Chairman*

Christophe Pettenati-Auzière  
*Deputy Chairman*

Clare Spottiswoode  
*Director*

Maarten R. Scholten  
*Director*

Carsten Mortensen  
*Director*

Thomas Thune Andersen  
*Director*

## 4 GENERAL INFORMATION

### 4.1 Other important investor information

The Company has furnished the information in this Prospectus. No representation or warranty, express or implied is made by the Managers as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Managers assume no responsibility for the accuracy or completeness or the verification of this Prospectus and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement.

Neither the Company nor the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any offeree or purchaser of the Offer Shares or the Subscription Rights regarding the legality of an investment in the Offer Shares or the Subscription Rights. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares and the Subscription Rights.

Investing in the Offer Shares and the Subscription Rights involves a high degree of risk. See Section 2 "Risk factors".

### 4.2 Presentation of financial and other information

#### 4.2.1 Financial information

The financial information contained in this Prospectus related to the Group has been derived from the Company's audited consolidated financial statements as at, and for the years ended, 31 December 2015, 2014 and 2013 (the "**Financial Statements**") and the Company's unaudited consolidated interim financial statements as at, and for the three month periods ended, 31 March 2016 and 2015 (the "**Interim Financial Statements**").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "**EU**") ("**IFRS**"), while the Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU ("**IAS 34**"). The Financial Statements have been audited by Ernst & Young AS, as set forth in their report included therein.

The Financial Statements and the Interim Financial Statements are together referred to as the "**Financial Information**". The Financial Information is incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

Effective from 1 January 2014, the Group changed, based on the implementation of IFRS 11, its accounting of jointly controlled companies from using proportionate consolidation to the equity method.

#### 4.2.2 Industry and market data

In this Prospectus, the Company has used industry and market data obtained from independent industry publications, market research and other publicly available information, including market data from Energy Maritime Associates Pte Ltd ("**EMA**"). Market data from EMA is not publicly available, but can be obtained against payment through EMA's website [www.energymaritimeassociates.com/floating-production-report](http://www.energymaritimeassociates.com/floating-production-report). While the Company has complied, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data. The Company cautions prospective investors not to place undue reliance on the above mentioned data. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the potential market in which it operates.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Company does not intend, and does not assume any obligations to update industry or market data set forth in this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this

Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

#### *4.2.3 Other information*

In this Prospectus, all references to "NOK" are to the lawful currency of Norway, all references to "USD" or "U.S. Dollar" are to the lawful currency of the United States, all references to "BRL" are to the lawful currency of Brazil, all references to "GBP" are to the lawful currency of the United Kingdom, all references to "SGD" are to the lawful currency of Singapore, all references to "JPY" are to the lawful currency of Japan and all references to "EUR" are to the lawful common currency of the EU member states who have adopted the Euro as their sole national currency. No representation is made that the NOK, USD, BRL, GBP, SGD, JPY or EUR amounts referred to herein could have been or could be converted into NOK, USD, BRL, GBP, SGD, JPY or EUR as the case may be, at any particular rate, or at all. The Financial Information is published in USD.

#### *4.2.4 Rounding*

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

#### *4.2.5 Calculation of ownership interest*

Unless otherwise stated, when calculating the percentage shareholding of the Pre-committing Shareholders, such percentages have been calculated on the basis of the number of Shares held by such shareholder and the total number of Shares in the Company (being 688,006,004 Shares) less the Company's holding of treasury shares (being 2,445,020 Shares).

### **4.3 Cautionary note regarding forward-looking statements**

This Prospectus includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements as a general matter are all statements other than statements as to historic facts or present facts and circumstances. They appear in the following Sections in this Prospectus, Section 7 "Industry and market overview", Section 8 "Business of the Group", Section 10 "Selected Financial and other information" and Section 11 "Operating and financial review", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry and potential market in which the Group may operate in the future, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set

out in the forward-looking statements. Important factors that could cause those differences include, but are not limited to:

- adverse developments in the global offshore oil and gas market;
- a deterioration in global economic conditions;
- the FPSO industry is highly competitive;
- the Group's units may not be successfully deployed for the duration of their useful lives and the Group may not be able to redeploy its vessels when client contracts expire or are terminated;
- failure to comply with set cost and time schedules for the process of providing and FPSO or FSO;
- the Group relies on the effectiveness, cost quotes and the quality of its sub-contracts;
- the Group's operations involves inherent environmental and safety risks;
- attraction and retention of key management personnel and other employees;
- the Group's international operations face the risk of acts or piracy, terrorist attacks, acts of war, escalation of hostilities, riots and civil unrest;
- the Group's lack of market diversification;
- the Group's lease and operate contracts expose the Group to the risk of inaccuracies in relation to the determination of the residual value of vessels;
- exercise of purchase options by clients;
- inadequacy of the Group's insurances to cover the Group's losses under the contracts or at law;
- early termination from and loss of clients;
- changes in law, regulations and political environment;
- compliance with environmental laws and other regulations;
- failure to obtain and keep required permits and licenses;
- litigation;
- changes in tax laws of any country in which the Group operates, or complex tax laws associated with international operations;
- technology disputes;
- employee, agent or partner misconduct or failure to comply with anti-corruption and other government laws and regulations;
- the 2016 Financial Plan may not be sufficient and required additional capital may not be available in the future;
- the Group is subject to covenants under its financial arrangements that limits its operating and financial flexibility;
- failure by the Group's major clients to meet their contractual obligations;
- interest rate fluctuations;

- significant exchange rate fluctuations; and
- the Rights Issue and related risks.

The risks that are currently known to the Company and which could affect the Group's future results and could cause results to differ materially from those expressed in the forward-looking statements are discussed in Section 2 "Risk factors".

The information contained in this Prospectus, including the information set out under Section 2 "Risk factors", identifies additional factors that could affect the Group's financial position, operating results, liquidity and performance. Prospective investors in the Shares and/or the Subscription Rights are urged to read all Sections of this Prospectus and, in particular, Section 2 "Risk factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These forward-looking statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

## **5 DIVIDENDS AND DIVIDEND POLICY**

### **5.1 Dividend policy**

BW Offshore has an objective to generate competitive long-term total shareholder returns. This return will be achieved through sustainable growth and stable dividend payments. The level of dividends will be approved and evaluated by the Directors on a quarterly basis. In light of the reduction in industry activity levels that has gradually increased since 2014, the Board of Directors has reduced dividend payments throughout 2015, until it was decided to suspend dividend payments from the third quarter of 2015 until market visibility improves. Furthermore, as part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to the distribution of dividends. See Section 13 "The 2016 Financial Plan".

Dividends distributed to shareholders of the Company for the years 2015, 2014 and 2013 were USD 0.05, USD 0.12 and USD 0.10 per Share, respectively.

### **5.2 Legal constraints on the distribution of dividends**

A Bermuda company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. "Contributed surplus" is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to a Bermuda company. Under the Bye-laws, the Board of Directors may declare dividends and distributions without shareholder approval. Further, the Company's subsidiaries may be subject to applicable legal constraints on the distribution of dividends in the jurisdiction in which they are incorporated, such as sufficiency of distributable reserves.

In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account the Group's capital requirements, including capital expenditure commitments, its financial condition, general business conditions, legal restrictions as set out above, and any restrictions under borrowing arrangements or other contractual arrangements in place at the time.

### **5.3 Manner of dividend payments**

Although any future payments of dividends on the Shares will be declared and denominated in USD, such dividends will be distributed through the VPS in NOK. Any dividend will be paid to the shareholders through the VPS. Investors registered in the VPS whose address is outside Norway and who have not supplied the VPS with details of any NOK account, will however receive dividends by check in their local currency, as exchanged from the NOK amount distributed through the VPS. If it is not practical in the sole opinion of DNB, being the Company's VPS registrar, to issue a check in a local currency, a check will be issued in USD. The issuing and mailing of checks will be executed in accordance with the standard procedures of DNB, Foreign Payments Department. The exchange rate(s) that is applied will be DNB's rate on the date of issuance. Dividends will be credited automatically to the VPS registered shareholders' NOK accounts, or in lieu of such registered NOK account, by check, without the need for shareholders to present documentation proving their ownership of the Shares.

## 6 REASONS FOR THE RIGHTS ISSUE

Following the drop in the oil price since the second half of 2014, the oil and offshore market has been facing severe challenges. Simultaneously, the capital markets are challenging, as seen from fluctuations in oil and offshore companies bond yields. In addition, there are key circumstances particularly affecting the Company, including, inter alia, limitations on availability to refinance existing bond debt and risks related to the Company's installed, available and on order FPSOs.

As result of this, the Company has been evaluating measures to address potential future liquidity challenges and to secure a credible long-term financial platform. The Company has carried out discussions with its bank facility providers, selected bondholders in the bond issues and largest shareholders in order to find a long-term financial platform. The financing plan which has been discussed is expected to contribute more than USD 500 million in improved liquidity in the period throughout 2020 and thereby give the Company a significant runway until an expected market recovery. The plan is a balanced solution where banks, bondholders and shareholders contribute. The solution requires a raising of USD 100 million through the Rights Issue.

As further set out in Section 13 "The 2016 Financial Plan", the financial plan comprises of the following contributions:

- **Banks (MUSD 2,400 Facility):** Extended maturity with two years until 2020; Reduced amortization by 50% the next five semi-annual instalments; increased margin by 25bps; changed leverage ratio (IBD/EBITDA) from 5.50:1 to 6.00:1 until maturity; and no dividend and bond buy back until maturity. **(Other credit facilities):** Changed leverage ratio (IBD/EBITDA) from 5.50:1 to 6.00:1; and changed equity ratio covenants from 25% to 20%. The Company has received the required consents from all of its lending banks to implement the amendments to the credit facilities.
- **Bondholder (Unsecured bonds BWO01, BWO02, BWO03 and BWO04):** Extended maturity of all bond loans with an average of 2.3 years; partial redemption at par value with an average of 24.5% on the original maturity date; reduction of equity ratio from 25% to 20%; increase of margin to 450 bps in the extended period; inclusion of restriction on dividends; and adding of an American call option at par until extended maturity date. The amendments to the Company's bond loans were approved at a joint bondholders' meeting held on 9 June 2016.
- **Shareholders:** The Rights Issue, fully underwritten by pre-subscriptions from the Pre-committing Shareholders (pro rata to their current holding) and underwritten by a group of key banks.

The above contributions are conditional upon each other.

## **7 INDUSTRY AND MARKET OVERVIEW**

*This Section discusses the industry in which the Group operates, which is the Floating Production System ("FPS") industry. Certain parts of the information in this Section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organisations, consultants and analysts. In addition to market data from other external and publicly available sources, and the Company's knowledge of the markets, see Section 4.2.2 "Industry and market data". The following discussion contains forward-looking statements, see Section 4.3 "Cautionary note regarding forward-looking statements". Any forecast information and other forward-looking statements in this Section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 2 "Risk factors" for further details.*

### **7.1 Offshore developments and FPS life cycle**

A simple definition of the offshore oil and gas industry is the extraction and production of oil and gas away from land. However, offshore developments are much more complicated than that — it is a highly technical with many risk factors. Unlike on-shore developments, where drilling and processing equipment can more easily be constructed onsite, often with access to existing infrastructure, offshore developments have additional engineering and logistical requirements in designing, transporting, installing and operating facilities in the remote offshore environment. Because of this, each production unit is often unique and designed specifically for the field's geological and environmental characteristics including hydrocarbon specifications, reservoir requirements (water/gas/chemical injection), well/subsea configuration, water depth, and weather conditions (above and below the water). Below is an overview of the key elements in offshore developments and FPS life cycle.

#### *7.1.1 Exploration*

This phase can take from several months to a few years after the oil company wins the block, depending on the amount of information already provided by the government or other related parties. It typically involves seismic surveys (2D or 3D) of the block and then analysis to determine the hydrocarbon characteristics of the field. If the prospect is promising, this analysis would determine the location for an exploration (wildcat) well.

#### *7.1.2 Drilling*

To gain more information about the size and characteristics of the reservoir's hydrocarbons, exploratory and appraisal drilling is conducted. During this appraisal phase, wells may be drilled in different areas to determine the limits of the reservoir, where the oil, gas and water are located within the reservoir and how well the hydrocarbons flow within the reservoir. This could be conducted in a single drilling campaign, but is often conducted in multiple campaigns, in order to allow time to analyze the results and provide additional information for the development phase.

#### *7.1.3 Field development*

This phase is complex and involves multiple parties. During this period, the field operator and its partners evaluate various options for economic development of the field. The Planning stage typically involves making commercial and strategic decisions (based on the information gathered on the field's characteristics during the previous two phases). Technical assessments and commercial estimates are made and reviewed in an iterative process until an optimum solution is selected. This may be done in the Planning stage, or in the Final Design stage, depending on the complexity of the development and level of detail. During Final Design, the specifications for the required FPS unit are developed and the bidding documents prepared. There is usually a pre-qualification process to ensure all bidders are capable of executing the project, if awarded. The field operator will then send out a tender with requests for bids to the pre-qualified bidders. Setting the tender correctly with clear specifications and requirements is crucial for a successful project, which is why this phase often takes as long, or longer, than actually constructing the unit. Contract award is often based on lowest price, assuming the bidder's proposal fulfills all the technical, commercial and contractual requirements.

Once awarded, the successful bidder proceeds with detailed engineering, procurement and construction of the FPS unit which can take several years. For instance, very complex projects, or ones with high local content requirements, may take five to six years between award and delivery, with offshore installation and first production several months after that. Other projects take less time but generally between two to four years from award to delivery of the FPS unit.

While the FPS unit is being constructed, the field operator will make arrangements for drilling the production wells. Depending on the field requirements and type of FPS unit, drilling could be carried out before or after the unit arrives.

7.1.4 Offshore installation

In addition to planning, bidding and awarding FPS unit contract, the field operator also has to plan concurrently for construction and installation of the subsea infrastructure (field pipelines, risers, umbilicals). For less complex field developments, this scope may be included with the FPS unit. In complex developments, the subsea scope can be as large, or larger than the FPS unit. The actual offshore installation campaign may only last a few months, but the planning and preparation may take as long as constructing the FPS unit.

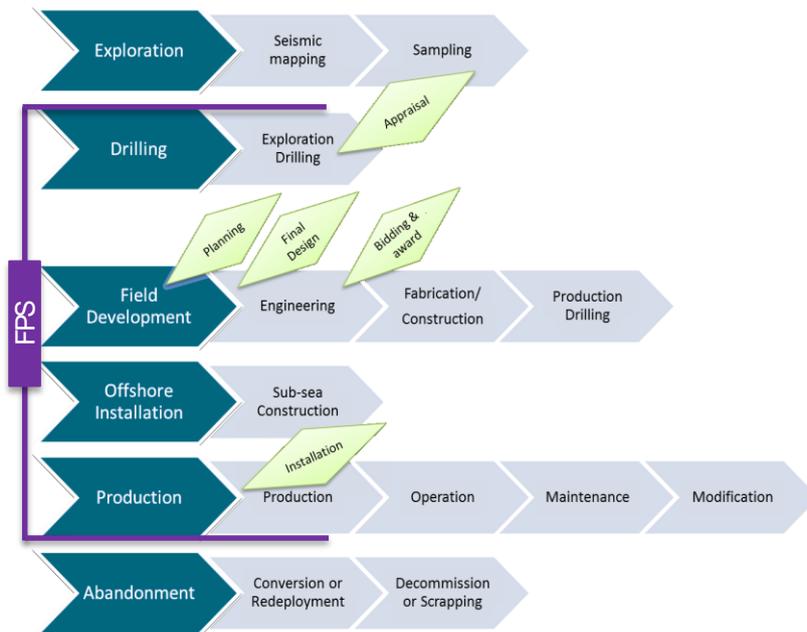
7.1.5 Production

Once the production wells are drilled, and the subsea infrastructure and FPS unit are installed and commissioned, first oil can be produced. From this point on, the FPS unit remains producing onsite. The unit may be leased, typically with a firm lease period and optional extension periods, which would be exercised depending on the field economics. During the operation period, the unit requires scheduled maintenance, and in many cases can be extended onsite beyond its initial design life. FPS units can also be upgraded or modified to suit future requirements, such as tie-in of a new field, or additional equipment to improve the reservoir performance.

7.1.6 Abandonment

Once the field production declines to a point where it is no longer economic, the field is shut-in and the FPS unit is no longer required. The unit may be redeployed on another field or scrapped altogether, if a suitable field cannot be found. Moving a production unit from one field to another is not necessarily an easy task and often requires modification to suit the new field.

**Offshore developments and FPS life cycle schematic**

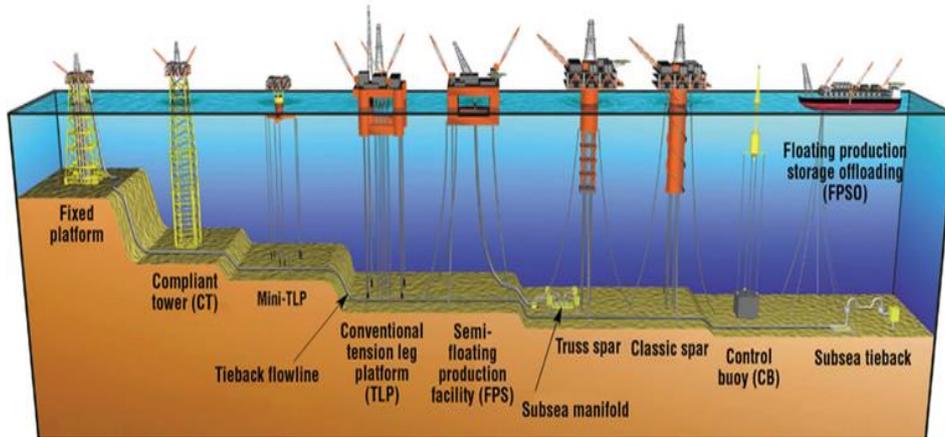


Source: EMA 'Floating Production Systems Outlook Report', 2016-2020 Forecast (January 2016).

7.1.7 The floating production system market

The first offshore production systems were developed in the 1940s with land-based technologies put on fixed platforms installed in shallow water. With time, the system and technologies evolved, and different floating production systems have been developed. The floating production systems could today be categorized into four main categories; Spar Platforms ("SPAR"), Tension Leg Platforms ("TLP"), Floating Production Semi-Submersibles ("SEMI") and Floating Production, Storage and Offloading (FPSO) units (other categories include, among others, barges, FSOs, FSRUs).

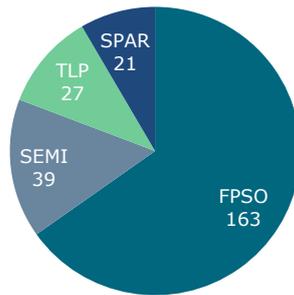
**Floating production systems**



Source: BP.

Currently, there are 250 floating production systems in service worldwide. FPSOs comprise 65% of the current active units, Production Semis 16%, TLPs 11% and Production Spars 8%. This does not include the 24 FPSOs and seven Production Semis that are available for re-use. The current utilization rate of floating production units is 89%.

**Total installed units by FPS type – In operation**



Note: Excluding barges, FSOs, FSRUs, MOPUs, LNG Regasification vessels, and another 100 floating storage/offloading units (without production capability) that are in service or available.

Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

**SPARs (21 units in operation, 8% of the fleet)**

A floating platform alternative that can support drilling, production and storage operations, the spar consists of a large vertical cylinder bearing topsides with equipment. The deep-draft design makes the spar less affected by wind, waves and currents, enabling the facility to support both subsea and dry tree developments. Additionally, the enclosed cylinder acts as protection for risers and equipment, making spars a suitable choice for deepwater developments. Furthermore, the hull can provide storage for produced oil or gas.

**TLPs (and TLWPs; 27 units in operation, 11% of the fleet)**

These are similar to semi-submersible platforms, but have an anchoring system that permits dry completion. The Tension-Leg Wellhead Platforms are utilized only for drilling wells, while the TLPs are utilized in drilling wells and in processing the production

**SEMIs (39 units in operation, 16% of the fleet)**

Semi-submersible platforms are metallic structures, the weight of which is supported by underwater buoys that are utilized to drill wells or process production. These platforms are able to maintain their positions relative to the well by utilizing anchoring systems or a dynamic positioning system controlled by a computer. Some semi-submersible platforms are automatically activated, but most of them are placed with the aid of offshore support vessels.

## FPSOs (163 units in operation, 65% of the fleet)

Floating Production, Storage and Offloading vessels are floating production units, capable of producing, treating, storing and transferring extracted oil from offshore petroleum wells. The majority of the FPSOs have hulls similar to ships, and are either converted tanker ships or newbuild ship hulls purpose built as FPSOs. Primarily areas with harsher environments (e.g. North Sea) have preferred newbuilds, whereas smaller and less exposed fields have preferred to convert old tankers. According to EMA, approximately 57% of current FPSO orders are conversion of old tankers, while approximately 43% are purpose built FPSOs.

The main difference between an FPSO and other offshore floating and fixed solutions (e.g. semi-submersible platforms, tension leg platforms and floating, production and storage vessel) is the ability to carry out parts of the separation process. The separation process encompasses the separation of key components oil, gas and produced water which constitute the production fluids from the wells. However, the processing plant on the FPSO varies significantly depending on the characteristics of the hydrocarbons. After the separation, the oil is stored in the FPSO's internal tanks before offloaded to a crude tanker which transports the oil to an onshore offloading facility.

### FPSO in operation



Source: BW Offshore, BW Cidade de São Vicente.

The first FPSO unit was the Shell Castellon built in Spain in 1977, and operated in shallow waters in the Mediterranean Sea. Since then, applying FPSOs to offshore sites has become widely accepted, as FPSOs holds several advantages compared to other floating solutions. FPSOs eliminate the need to lay expensive pipelines from the offshore field to an onshore terminal and enables transition to new oil fields after depletion at existing fields.

Capital costs for an FPSO range from USD 200 million to USD 3.0 billion+, depending on production-plant capacity, design life, operating environment and other factors. The world's most expensive FPSO awarded to date is the USD 3.1 billion FPSO Egina to be built at Samsung for Total's use offshore Nigeria. The operating costs for an FPSO once installed on site also range widely — from USD 50/k to USD 150/k a day depending on size, location, tax and local content regulations. Units in Australia, Brazil and the North Sea are generally more expensive to operate due to regulatory requirements.

## 7.2 FPSO market characteristics

### 7.2.1 Market dynamics

As oil fields have different requirements, each FPSO is constructed to fit a specific field. With the high alternative cost to bring in a new unit, an FPSO is normally either chartered in from FPSO contractors on long term contracts (often matching expected field life) or owned by the oil company itself. Historically, approximately half of the FPSOs have been leased from FPSO providers.

The FPSO companies generally have a long term contract portfolio with a fixed term and option period usually at the E&P companies' discretion. On some contracts however, it can be a mutually agreeable option. The options are in most instances called as long as the field it produces from is economical. The likelihood of contract extensions in the FPSO market is far larger than for instance in the rig market, as the units are tailor made for each specific field. The alternative cost for the oil company to contract another unit is generally high with a significant lead time and typically higher cost. Also, the lifting cost is on average low once the field is on stream and the majority of costs are sunk. Hence, the risk on the optional period is in most cases low for most contracts, as long as the field continues to produce at economical levels.

During the past couple of decades, access to conventional oil has become more challenging, and oil companies have been increasingly focusing on deeper waters in more remote locations. As a consequence, the average water depth has practically doubled the recent decade, reinforcing the competitive benefits of FPSOs. Contracts pre-2000 saw FPSOs having a <50% market share, but FPSOs commencing production post 2005 have gained a 70-80% market share within floating production solutions. However, there have been an increasing number of SPARs and TLPs being awarded the recent years.

As water depth has increased, so has the complexity of reservoirs and the number of barrels produced per day. This has led to a significant increase in the capital investments of FPSO projects, and the complexity of such units.

The average size of the FPSO fleet is c.185' dwt today compared to c.170' dwt 10 years ago. The largest FPSO in terms of dwt is the FPSO Girassol (400' dwt), owned and operated by Total in Angola, West Africa. The FPSO has an oil storage capacity of 2 mmmboe, and total oil production capacity is ~230' bbl/day. A 150' dwt unit has about 1 mmmboe of storage capacity, while a 200' dwt unit has about 1.3 mmmboe barrels of storage. In tanker market terms, this approximate size is referred to as a Suezmax. The water depth trend is clear and will continue as exploration and discoveries in deepwater are increasing significantly. The world record when it comes to water depth was held by BW Offshore with BW Pioneer producing at 8,200 feet water depth until the second quarter of 2016. This record was taken over by the Stones field FPSO (Turrutella) as it entered production in the Gulf of Mexico in the second quarter of 2016, producing at 9,576 feet water depth. Advances in technology are considered some of the most important drivers for this development, and also increases the barriers to entry.

### 7.2.2 *Competitive landscape*

The trend over the past several years has been towards the E&P companies leasing the FPSO units, as this approach enables the oil companies to finance a large part of the field's development costs off balance sheet and hence reduce their funding needs. Petrobras has diverged somewhat from this trend, and owns and operates a large part of its own fleet. Of the 35 units operated by Petrobras today, 14 are owned by the company, and of the 30 units currently under construction, Petrobras owns 12.

Petrobras is the largest FPSO owner, with 28 installed, on order or available. Petrobras has 15 installed FPSOs, as compared to three to 13 for the rest of the leading owners. Then most striking about the number of FPSOs on order, is that Petrobras has 12 units on order, which is more than then next four owners combined. Many leasing contractors have multiple FPSOs on order – Bumi Armada has three and Modec and SBM each have two. The top 10 oil companies has 16 FPSOs on order, while the top 10 leasing companies has 11 FPSOs on order.

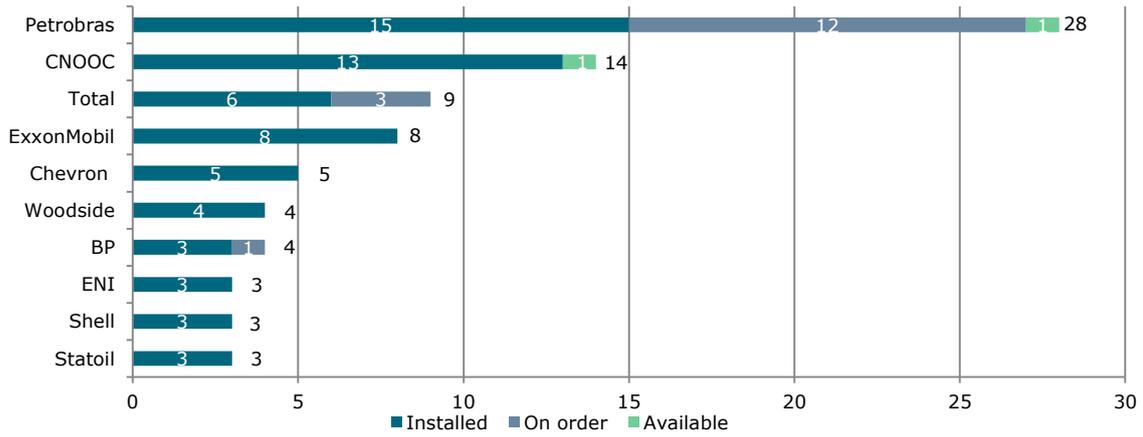
Of the FPSOs operated by Petrobras, all except the FPSO BW Pioneer are meant for production in Brazil. The second largest oil company FPSO operator is CNOOC with 13 units deployed in China and one available unit. Total has six installed FPSOs and three on order, ExxonMobil has eight installed FPSOs and Chevron has five installed FPSOs.

SBM is the largest leased operator of FPSOs with 12 installed, one unit on order and two available. BW Offshore is the second largest operator with 12 installed, one unit on order and two available. Although both SBM and BW Offshore has the same number of units, SBM's total fleet size measured by deadweight is higher. Modec is the third largest with 11 installed, one unit on order and two available.

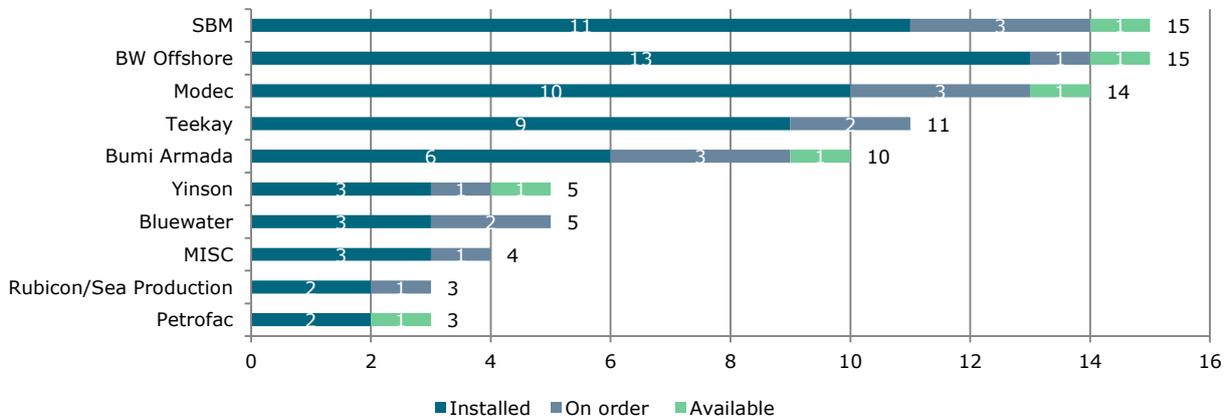
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### **Top 10 Oil Co'FPSO owners by installed, on order and available units -**

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**Top 10 Lease Co'FPSO owners by installed, on order and available units -**



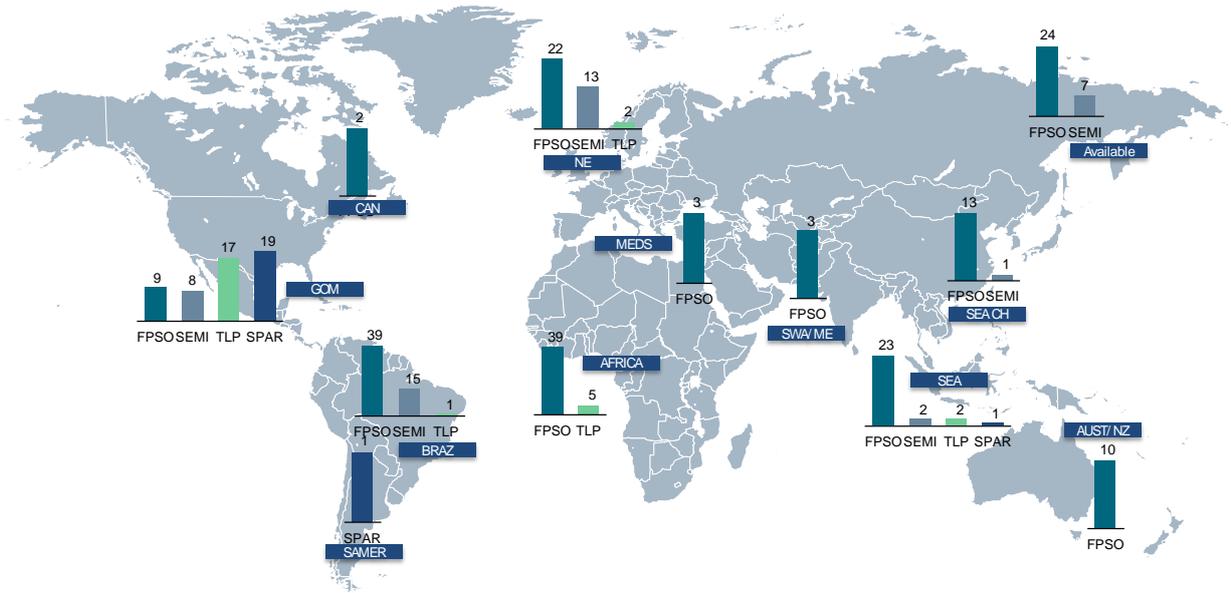
Source: EMA 'Floating Production Systems Outlook Report', 2016-2020 Forecast (January 2016).

FPSO owners with the deepest installed fleets are evenly divided between five field operators and five leasing companies. However, in terms of average water depth, the leasing companies are the clear leaders. Installed units owned by Modec, SBM and Saipem are moored in an average water depth exceeding 1,000 meters. Petrobras has 15 units moored in a total water depth of over 14,000 meters. This trend will continue, with 30 units on order for water depths exceeding 1,000 meters, including 15 to be installed in more than 2,000 meters of water.

**7.2.3 Geographic distribution**

For the first few decades of offshore development, projects were concentrated in the Gulf of Mexico and the North Sea in close proximity to installed infrastructure (including pipelines). However, with discoveries of new hydrocarbon basins, the location of offshore developments expanded to include most parts of the world, with Brazil, West Africa and Southeast Asia leading the way. As these regions were less developed and lacking infrastructure, the need for FPSOs emerged. As a result, the geographical range of the FPSO industry has also changed over the years.

**Current geographical status by type – 250 FPS in operation**



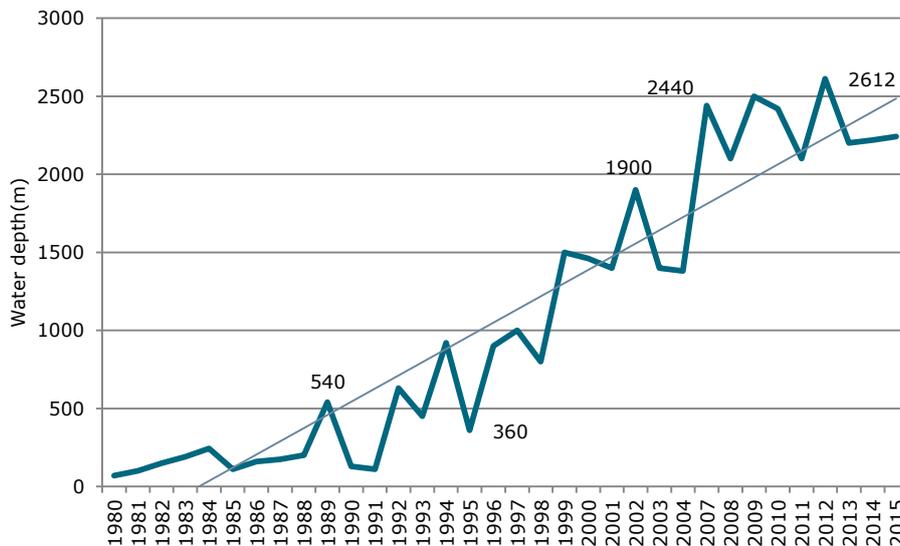
Note: Excluding barges, FSOs, FSRUs, MOPUs, LNG Regasification vessels, and another 100 floating storage/offloading units (without production capability) that are in service or available.

Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

Along with increasing water depth, the size and complexity of these offshore developments has also grown, which in turn has increased the size and complexity of the FPSO units. Project development cycles have increased in time, complexity and cost. In particular the time between initial discovery and starting production is now five to seven years and increasing.

This lengthening of project time is due to a combination of factors, including the complexity of the field itself, as well as increased front end engineering and design (FEED), expanded internal company review processes, and compliance with local regulations. This additional planning and scrutiny is largely a response to past projects which did not meet the planned budget, schedule, and/or operational expectations.

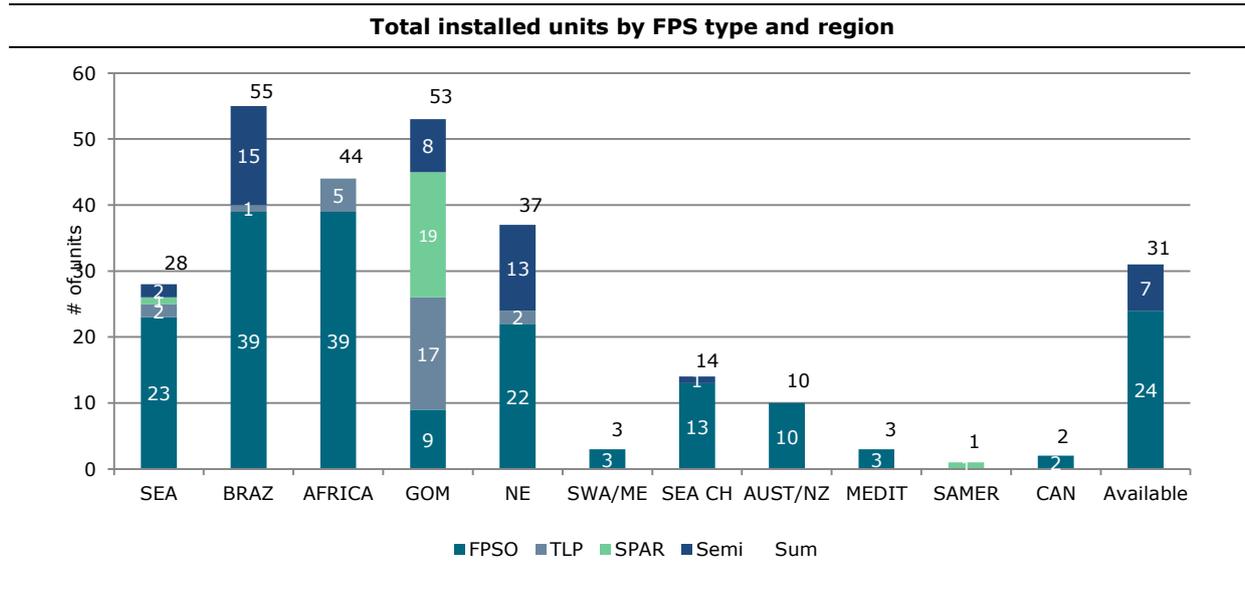
**Installed FPS units by maximum water depth over time**



Source: EMA 'Floating Production Systems Outlook Report', 2016-2020 Forecast (January 2016).

The top five regions for floating production systems are Brazil (22%), Gulf of Mexico (21%), West Africa (18%), Northern Europe (15%) and Southeast Asia (11%). The type of systems varies widely from region to region. FPSOs are the preferred systems in deepwater offshore Africa and Brazil, while TLPs and Spars are most prevalent in the Gulf of Mexico. This is due to the extensive pipeline infrastructure available in the Gulf of Mexico, so the production unit

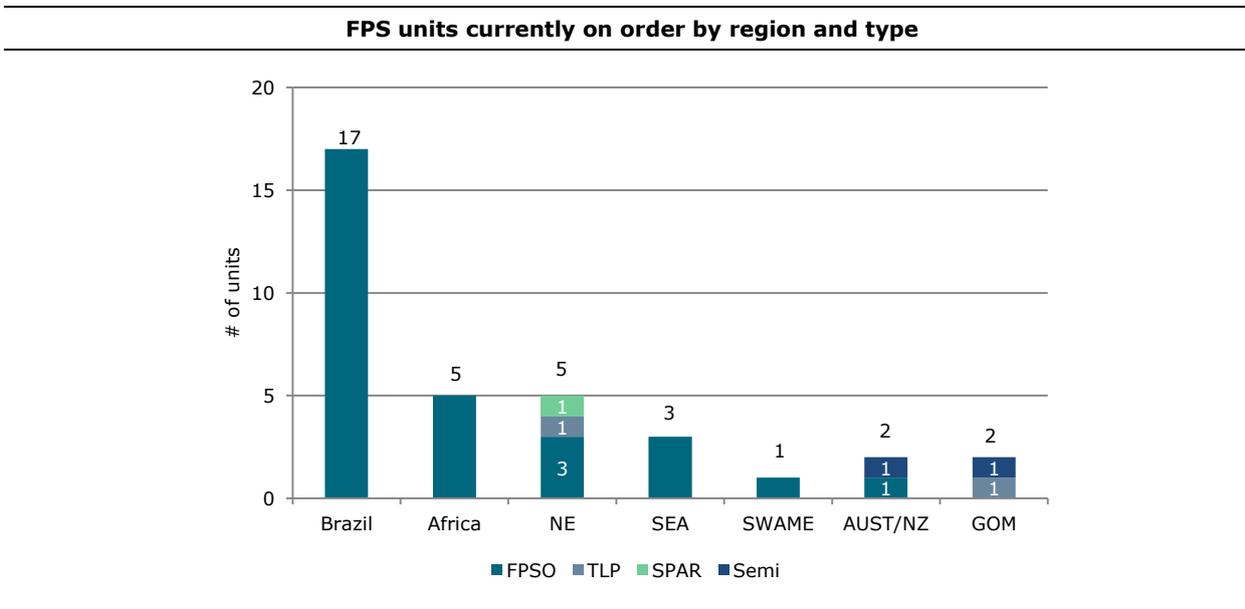
does not need to have storage capability. Production Semis are also used often with pipelines in the Gulf of Mexico, Northern Europe and Brazil.



Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

Brazil and West Africa have 39 installed FPSOs. Of the 39 Brazil units, 34 units are working for Petrobras. South East Asia has 23 and North Europe has 22 installed FPSOs in operation. North European FPSOs are primarily located in the North Sea outside UK and Norway.

The Espirito Santo, working for Shell at the Ostra field outside Brazil, BW Pioneer, working in the U.S. Gulf of Mexico, and Turrutella, working for Shell in the U.S. Gulf of Mexico, are the three FPSOs operating in ultra-deep waters (depths greater than 7,500 feet). 20 units outside Brazil and West Africa are working in deep water (between 4,500 and 7,500 feet), while 42 units are working in mid-water (depths between 1,500 feet and 4,500 feet). The remaining 96 units are working in shallow water (from depths of 0 to 1,500 feet).



Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

As of April 2016, 30 FPSOs were under construction, and all units have firm contracts to be entered into upon delivery and no units are currently built on speculation. 17 units are to commence operations in Brazil, with 16 units to be operated by Petrobras, five units are scheduled for operations in West Africa, three units are scheduled for operations in Northwest Europe, while three units are scheduled for operations in Southeast Asia. The remaining two units are scheduled for operations in Southwest Asia/Middle East (one) and Australia/New Zealand (one).

### 7.3 Global supply of FPSOs

The FPSO industry has been challenged post the financial crisis, with lease companies facing major project delays and balance sheet constraints, and few project awards.

#### 7.3.1 Current fleet

The current FPSO fleet comprises 163 units in service in addition to 24 available units (seven units have come available in 2016) and 30 newbuilds (five units delivered in 2016).

EMA has identified 11 FPSOs that are likely to come off contract by end of 2017. This is based on field production forecasts and an expectation that oil prices do not increase substantially (over USD 60/bbl). Six of these units have been in operation for less than 10 years, while five have been in operation 15 years or more. These older units are most likely headed directly to scrap, while the younger units may be laid-up in hopes of being redeployed. Some of these need further commitments on the current field (options called or extension to contract) or will be redeployed to another field. A number of units are estimated to be scrapped or unsuitable for new long term assignments. The normal assumed useful life of a converted FPSO is 15 years and 25 years for a newbuild. It is possible to extend the lifetime of a converted unit beyond 15 years, but will in most cases imply a significant upgrade.

**Table of FPS by type and region**

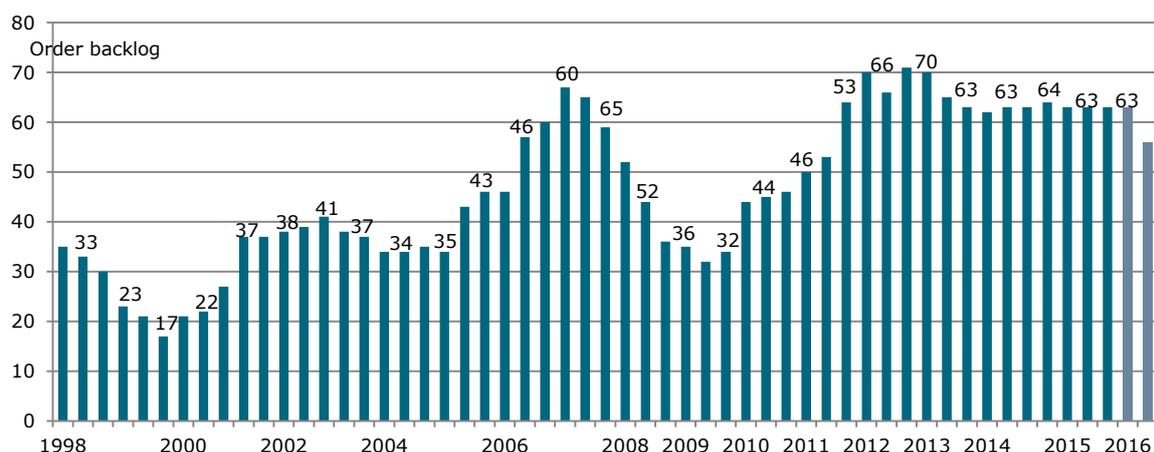
Region	FPSO	SEMI	TLP	SPAR	All
BRAZ	39	15	1		55
SEA	23	2	2	1	28
AFRICA	39		5		44
NE	22	13	2		37
GOM	9	8	17	19	53
AUSTI/NZ	10				10
MEDS	3				3
SWA/ME	3				3
SAMER				1	1
CAN	2				2
SEA CH	13	1			14
<b>Total in operations</b>	<b>163</b>	<b>39</b>	<b>27</b>	<b>21</b>	<b>250</b>
Available	24	7	0	0	31
<b>Total inventory</b>	<b>187</b>	<b>46</b>	<b>27</b>	<b>21</b>	<b>281</b>

Source: EMA 'Floating Production Systems Outlook Report', 2016-2020 Forecast (January 2016).

#### 7.3.2 Newbuilding activity

Since 1997, the production floater order backlog (includes FSRUs, FLNGs and barges, but excludes MOPUs and FSOs) has ranged from a low of 17 units in 1999 to a peak of 71 units in the first half of 2013. There have been three cycles during this period: i) 1998-1999 downturn followed by 2000-2002 upturn from 17-39 units (2003-2004 relatively steady), ii) 2005-2007 upturn from 35-67 units followed by 2008-2009 downturn to 32 units, and iii) 2010-2013 upturn to 71 units.

### FPS historical order backlog 1998 – 2016 (except MOPU and FSOs)



Note: Includes FSRUs, FLNGs and barges but excludes MOPUs and FSOs.

Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

As of April 2016, 56 FPS (includes a total of 21 FSRUs, FLNGs and barges, but excludes MOPUs and FSOs) units are on order, down seven from January 2016. After reaching a peak of 71 units in the first quarter of 2013 and declining to 65 at the end of 2013, the orderbook had been steady between 62-64 units for the past nine quarters. However, in the first part of 2016, five FPSOs and two TLPs were delivered, with no new FPS orders received.

A total of 18 units (eight FPSOs, four FSRUs, two FLNGs, two Semis and two Production Barges) are scheduled to be completed by the end of 2016. This represents almost 1/3rd of the total orderbook to be delivered in the next nine months. However, it is likely that delivery will be delayed into 2017 for a few of these units. EMA expects the backlog to steadily decrease over the next 12-18 months as new orders will not keep pace with deliveries. According to EMA, by 2017, the orderbook will probably return to levels seen during the last downturn in 2009-2010 (32-45 units).

A total of 30 FPSO units are on order, all of which have a firm contract at hand. With 12 of the 30 FPSO newbuilds, Petrobras has the most aggressive growth program. Additionally, Total, Bumi Armada, Teekay and Modec all have more than one newbuild. As expected, several of the newbuilds are ordered by oil companies, as the lease capacity among the international players is cut in half since 2007. In addition to the newbuilds/conversions, four units are currently undergoing upgrade for future employment.

#### FPSO units on order by name and operator

Unit name	Operator	Unit name	Operator
FPSO Cidade de Caraguatatuba MV27	Petrobras	Western Isles FPSO	Dana
Cidade de Campos dos Goytacazes MV29	Petrobras	Armada Olombendo	ENI
P66	Petrobras	Yinson Genesis	ENI
P67	Petrobras	Armada Kraken	EnQuest
P68	Petrobras	Armada Madura	Husky/CNOOC
P69	Petrobras	Ichtys Explorer	Inpex
P70	Petrobras	Deep Producer 1	JX Nippon
P71	Petrobras	South Pars FPSO	Petroleum Iran
P72	Petrobras	Catcher FPSO	Premier
P73	Petrobras	Petrojarl 1	Queiroz Galvao
P74	Petrobras	Kaombo Norte	Total
P75	Petrobras	Egina FPSO	Total
P76	Petrobras	Kaombo Sul	Total
P77	Petrobras	MAMPU 1	Vestigo

Cidade de Saquarema	Petrobras
Pioneiro de Libra	Petrobras

Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

**Timing of new orders**

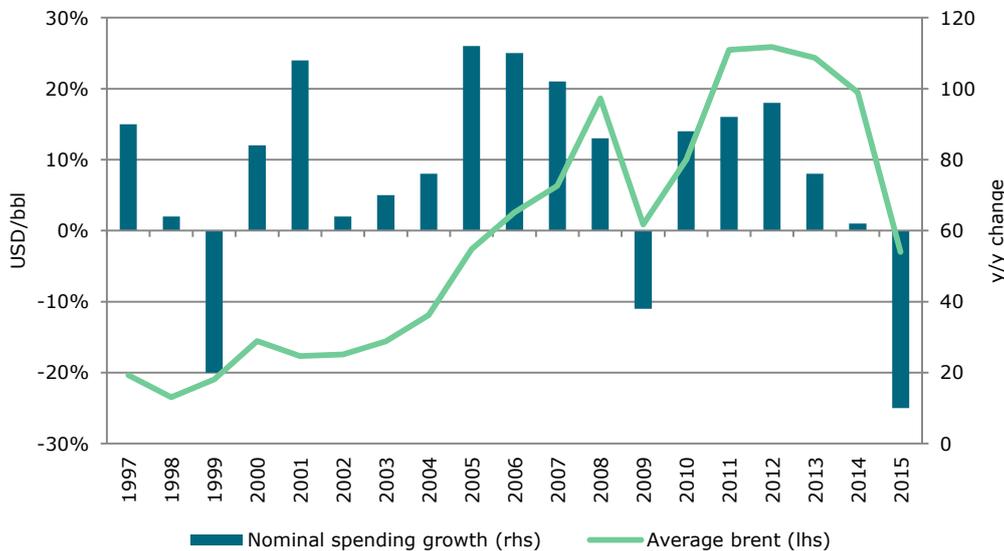
According to EMA's 2016-2020 forecast, new orders will start to be placed by the end of 2016. However, substantial new orders would not appear until 2017-2018. By that time, oil companies should have larger amounts of free cash flow, due to higher oil prices, asset sales and savings from cost reduction measures. At the same time, capital costs for new projects would also be lower due to lack of demand. While there were no FPS awards in the first quarter of 2016, EMA do expect awards by the end of the year and an eventually recovery once oil prices and costs come back into balance.

**7.4 Global demand of FPSOs**

Oil companies' offshore investment level is the key demand driver for FPSOs and the pace of project sanctioning partly determines the number of awards that will come to the market, which is subject to oil prices and consequently spending appetite. As an effect of the recent fall in oil prices, and according to DNB Markets<sup>1</sup>, oil companies' offshore E&P expenditure fell 24% year-on-year in 2015. This has had effect on the FPSO award activity, with five awards in 2015 compared to 11 awards in 2014.

The FPSO sector has been growing faster than the overall industry the recent decade, as E&P companies' focus has shifted towards deeper and more remote fields, where the FPSO solution has proven to be very competitive. In the short term, this trend is facing headwinds as most large scale projects have been put on hold, but according to EMA, FPSOs remain a competitive solution for offshore developments and that the cost adjustment currently underway will make the deepwater projects competitive also going forward. The increase of discoveries located in deep waters and the expected pick up of the macro-economic environment is anticipated to boost the need for floating production in the longer-term in order to exploit deeper resources and meet the energy demand.

**E&P spending growth vs. average brent price**



Source: Pareto Securities Equity Research, BW Offshore.

**7.4.1 Global demand for oil and natural gas**

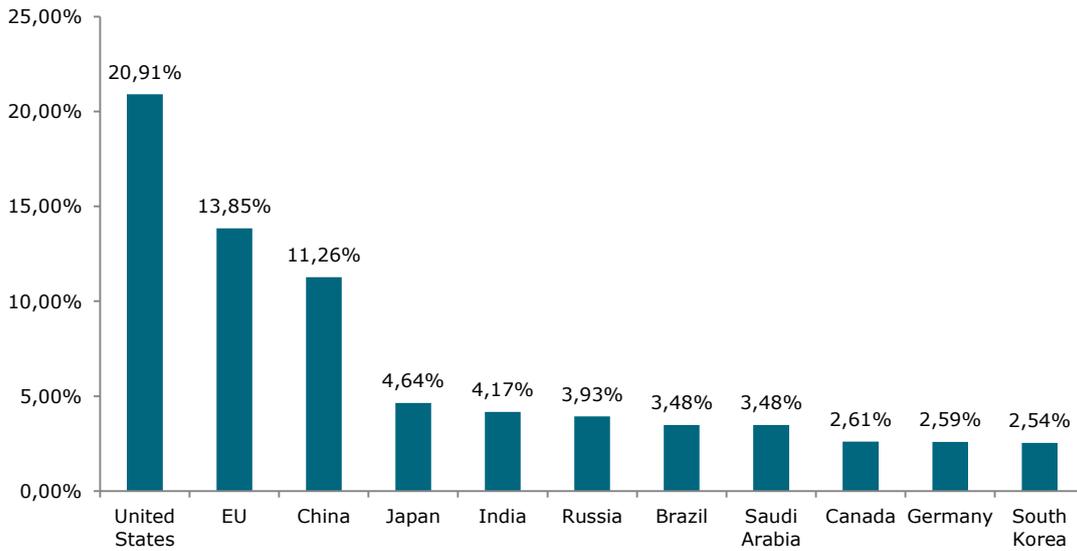
Despite the current weak oil price market, the long term outlook demand remains firm. According to the Organisation of Petroleum Exporting Countries' ("OPEC") World Oil Review 2015, global energy demand is set to increase by almost 50% between now and 2040, with fossil fuels providing the vast majority of supply at 78%. Oil demand is expected to grow from 93.8 million b/d in 2015 to 97 million b/d by 2020 and reach 110 million b/d in 2040 according OPEC

<sup>1</sup> <https://www.dnb.no/en/business/markets/market-reports/equity-research.html>

estimates. Exxon's Outlook for Energy 2040 expects world energy demand to outstrip production by 2040, driven by growth in Asia. China is expected to overtake the U.S. as the largest energy consumer, using 17 million b/d of oil and 70 Bcf/d of natural gas by 2040 (ENI World Oil and Gas Review 2015). OPEC expects China's consumption to increase even more by 2040, reaching 18 million b/d.

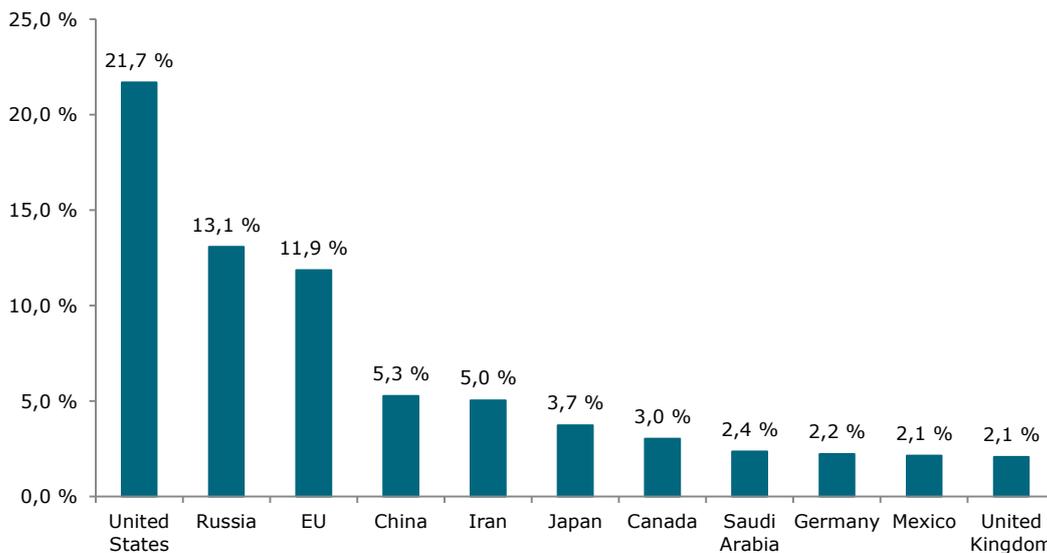
Gas demand in particular is forecast to grow — increasing by 63% through 2040 and comprising 26% of global energy demand (up from 22% in 2010) according to Exxon. The EIA is even more bullish with gas providing 29% of total energy demand by 2040 (EIA, Annual Energy Outlook 2015). China's demand for natural gas is forecast to grow about four times as fast as its overall energy demand, rising by more than 55 Bcf/d. By 2040, natural gas would account for 15% of China's energy demand (Exxon). China is attempting to boost domestic production, but most of its demand will have to be met through imports. LNG and pipeline imports are expected to climb from about 30% of China's natural gas supply in 2013 to 45% by 2020 (Exxon). China's environmental and security concerns mean natural gas will be a strategically important industry.

**The world top 10 oil consumers and EU (2014)**

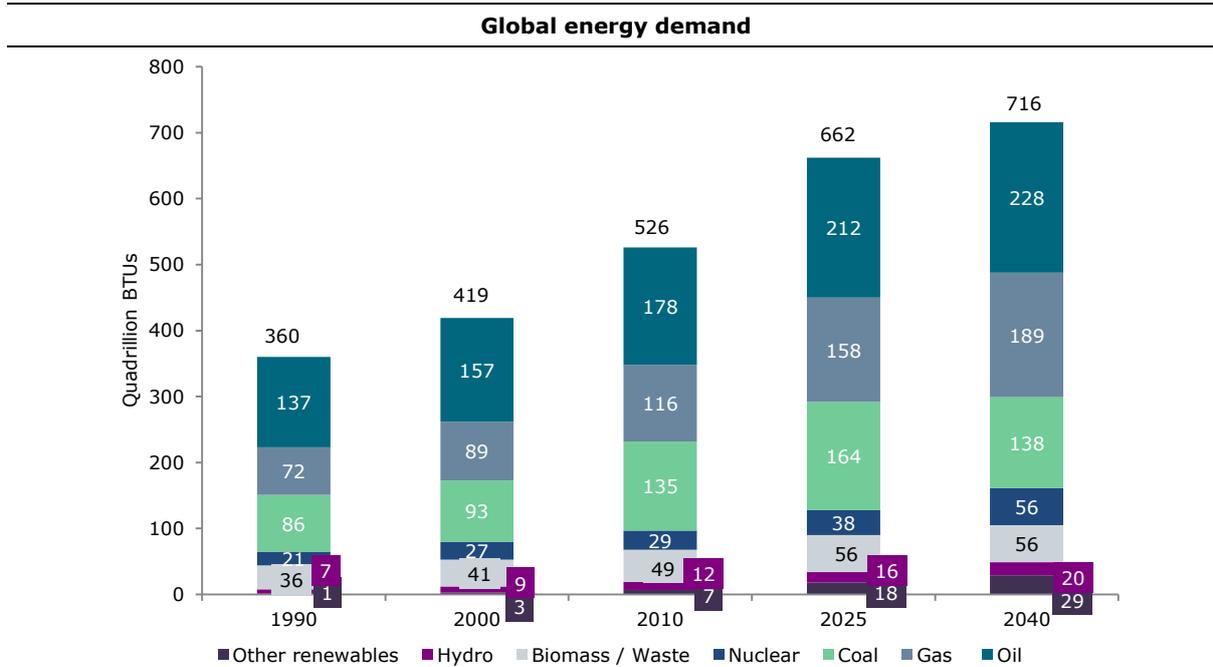


Source: ENI World Oil and Gas Review 2015 (The original data are from Monthly Oil Data Services OECD/IEA, 2015).

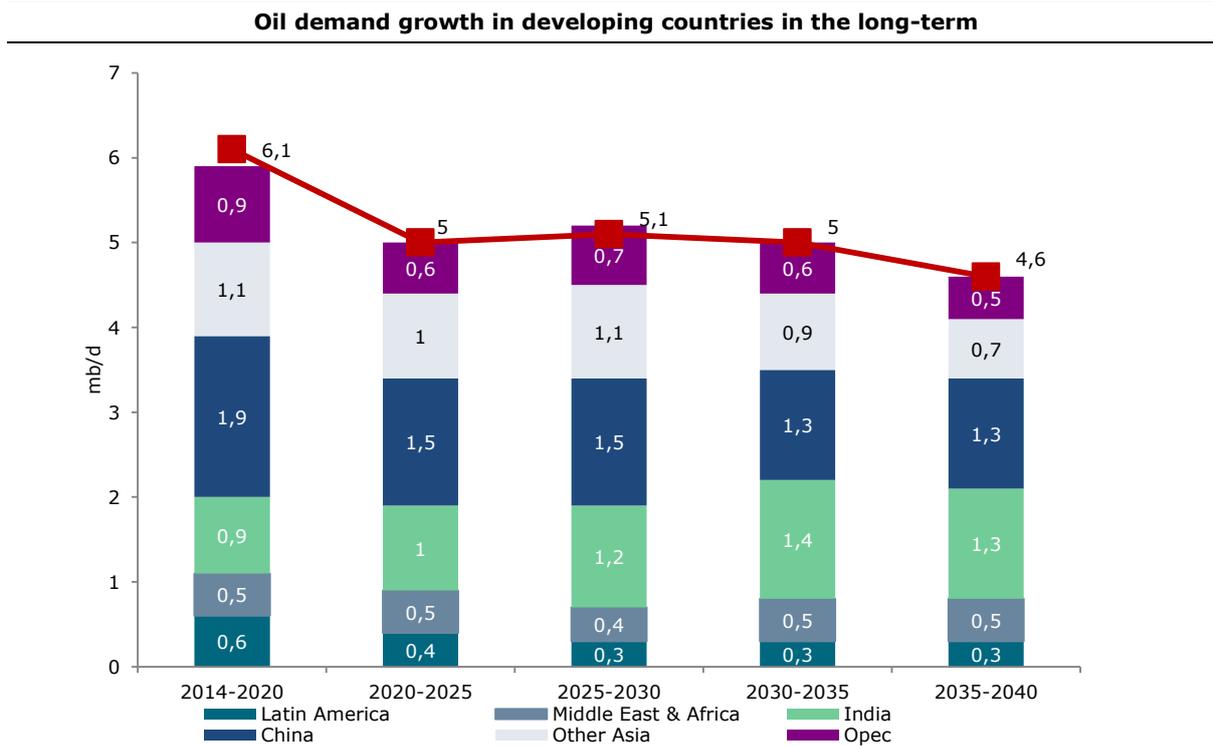
**The world top 10 gas consumers and EU (2014)**



Source: ENI World Oil and Gas Review 2015 (The original data are from IEA Extended Balances OECD/International Energy Agency, 2015; data have been converted by Eni using a unified gross calorific value of 39 MJ/c).



Source: Exxon Outlook for Energy: View to 2040 (December 2015).



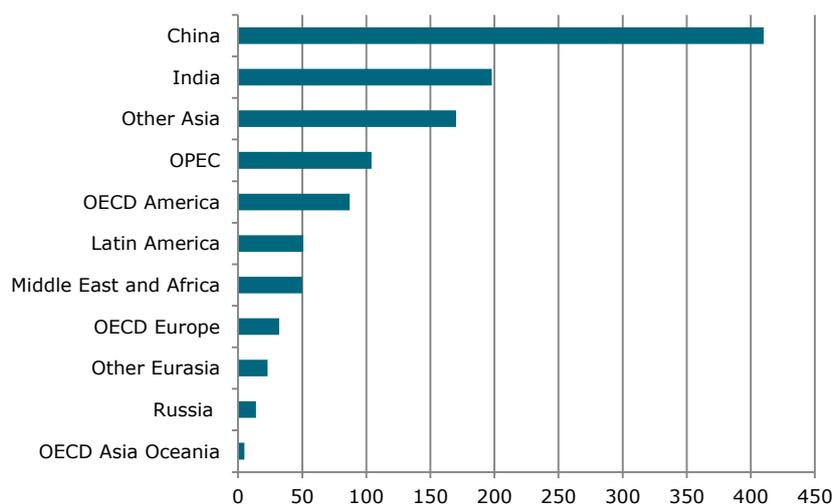
Source: OPEC World Oil Outlook 2015.

#### 7.4.2 Demand drivers

In the short to medium term (2016-20) global oil demand drivers will remain less strong — the slowing Chinese economy and continued low growth in Europe will act as headwinds, even as the U.S. economy expands. In 2016, East Asia including China will continue to be the fastest growing region at 6.4%, although this is slightly down from the 6.8% forecast last year (World Bank, Sept Revisions). The IMF takes a less firm view, reducing its Chinese growth expectations to 6.0-6.3% for 2016-2020. Of the G7 economies, the U.S. has the strongest rates of growth with 2016 expected to reach 2.8% and then gradually slowing to 1.9% by 2020. The EU should continue to recover over the next five years with annual GDP growth expectations hovering around 1.9%. Japan’s growth will remain below 1% in the outlook period (IMF, Oct 2015 Revisions).

Looking further out to 2040, global growth rates will average 3.5% from 2014-40, with developing economies rates significantly higher at 4.6% (OPEC, WOO 2015). Long-term demand is dominated by the developing Asia region, which accounts for 70% of the increase. Developing countries will drive long-term demand for several reasons—demographics, urbanization, and an increasing middle class. The population of developing countries is expected to increase by 1.7 billion over the next 25 years, led by the Middle East & Africa, India and other Asia (ex-China). In contrast, OECD countries will only see an increase of 123 million people in this period (UN, World Population Prospects 2015). Rising income levels in the developing world will foster greater consumption of energy in terms of electricity and transportation (particularly in countries currently with low auto penetration). China, India and Other Asia are predicted to add over 700 million cars by 2040, all of which will consume energy in some form: gasoline, diesel, CNG, LNG, LPG or electricity.

**Increase number of passenger cars, 2014 - 2040**



Source: OPEC World Oil Outlook 2015.

**7.4.3 Global oil and natural gas supply**

The declining oil price has mainly been a supply-side story, as OPEC maintained production in the face of rising US supply. OPEC's production of 36.4 million b/d in 2015 represents 37% of the 92.9 million b/d produced globally. By 2040, this is projected to increase to 49.4 million b/d according to the EIA and 50.2 million b/d according to OPEC.

**OPEC and EIA 2040 production forecast**

Data in m b/d	Opec 2040 forecast	EIA 2040 forecast	Delta
Work in liquids production(total)	110	121	11
Opec liquids production	50,2	49,4	-0,8
Opec market share	46 %	41 %	-5 %
Non-Opec liquids production	59,2	71,6	12,4
Non-Opec market share	54 %	59 %	5 %

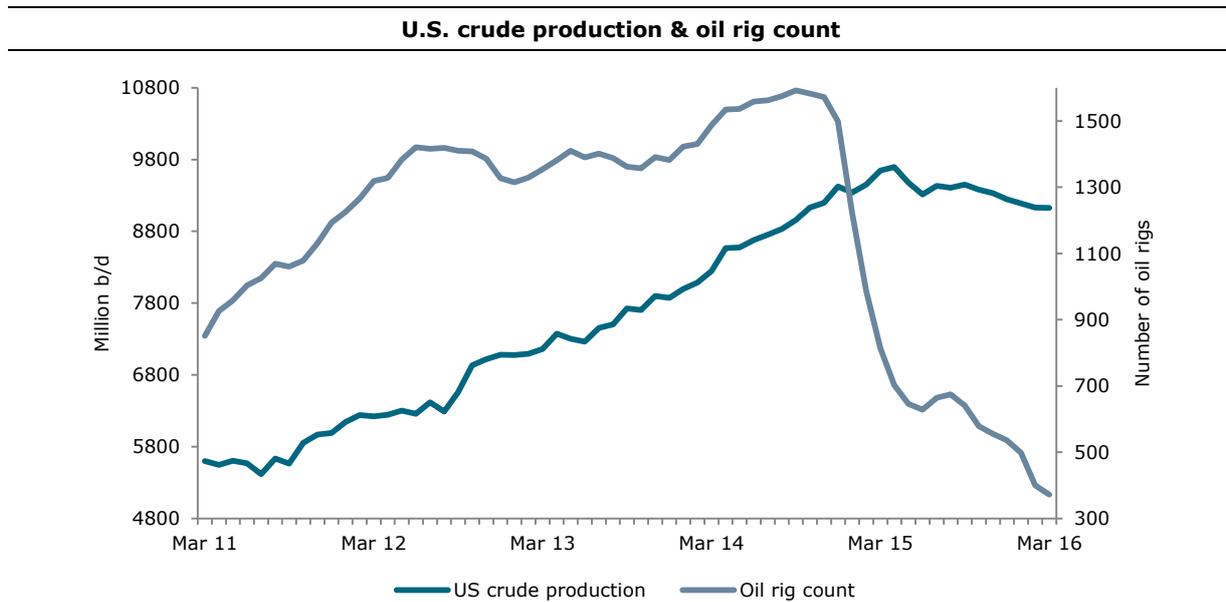
Source: OPEC, World Oil Outlook 2015; EIA, Annual Energy Outlook 2015.

While these figures are quite similar, there is a vast difference of opinion regarding the growth of non-OPEC production. The EIA forecasts non- OPEC production to reach 71.6 million b/d in 2040, whereas OPEC forecasts a much lower 59.2 million b/d. This 12 million b/d difference between the OPEC and EIA forecasts highlights the issue at the heart of the current oversupplied global market, namely the struggle for market share between OPEC and unconventional producers in the U.S. The IEA forecasts that lower oil prices and steep spending cuts will reduce non-OPEC output by 500,000 b/d in 2016, led by declines in U.S., Russia and Norway. On the contrary, the EIA forecast does not expect any net decrease. While there has been a significant decline in development of new U.S. wells, the existing production has been more resilient than expected (EIA, Annual Outlook Report 2015). The EIA thinks that

unconventional production will remain strong for the next 25 years, while OPEC seems to believe that low prices will keep a cap on U.S. production.

Natural gas and unconventional gas in particular is the supply growth story for the next 25 years. By 2040, Exxon predicts that unconventional gas will account for 35% of global gas production, up considerably from 15% in 2010. North America will be the biggest producer of gas by 2040, surpassing Russia/Caspian production by 2020. North America’s natural gas production is projected to grow by about 75%, to around 140 Bcf/d, driven by a 300% increase in unconventional gas production. Outside of North America and Europe, conventional gas production will continue to account for the majority of new supply (Exxon’s Outlook for Energy 2040).

The large increase in U.S. crude production has primarily been driven by the large increase in shale. This can be clearly seen from the number of working land U.S. oil rigs, increasing from around 800 units in 2010 to 1,609 at peak in 2014. With the recent plunge in oil price, the U.S. oil production has fallen, and consequently, the number of working rigs has dropped to 328 units. The number of rigs has fallen significantly more than the oil production, as many companies have stopped actively drilling new wells but not stopped producing from existing wells.

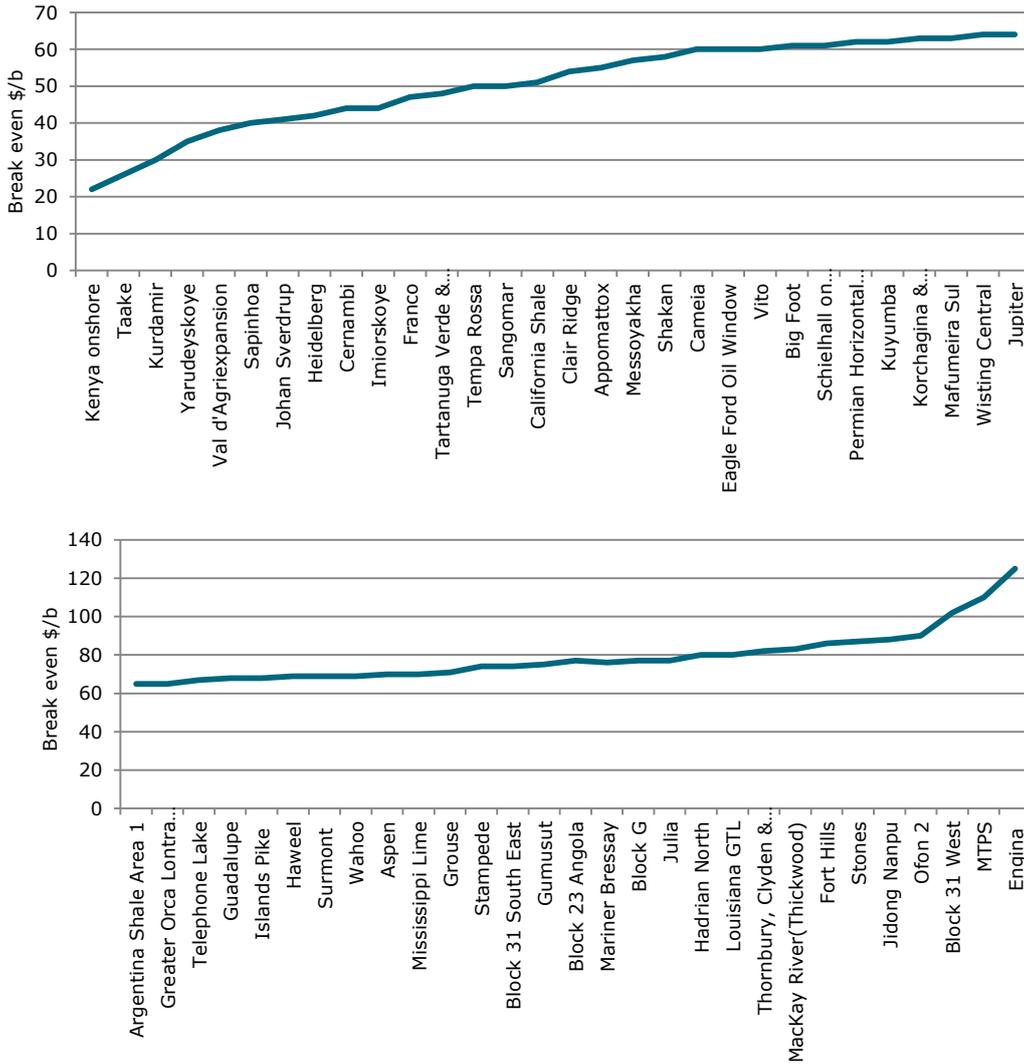


Source: DNB Markets, US DOE, Baker Hughes.

**7.4.4 Long-term oil price**

The expected growth in E&P expenditure is coupled with a higher oil price. DNB Markets believes oil prices have now over-shot to the down side. The global oil industry cannot survive with the current low prices, as there are limited oil projects that are economical at 30-40 USD/b oil prices. It is primarily the Middle East that has economic projects at these price levels and they believe that during the next five years the world will need some new growth in non-OPEC production. Investments also needs to take place in currently producing oil fields in order to keep decline rates in check, as global oil demand is not falling. The growth rates for oil demand will probably weaken over the next one to two years, but oil demand will grow continue to grow.

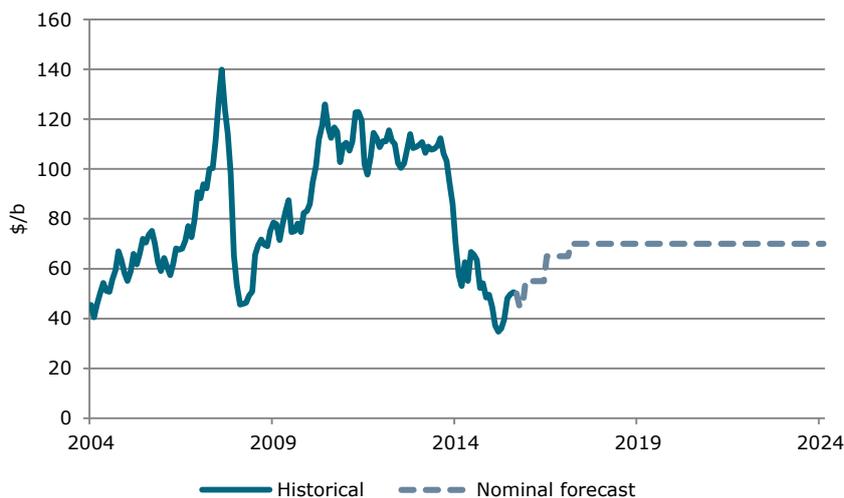
**Break even by project (Cost of capital 11% in OECD – 15% in non-OECD)**



Source: DNB Markets (Based on Goldman Sachs 420 projects to change the world, May 19 – 2015).

Oil prices finished 2015 significantly lower than a year ago – down 35% from December 2014. After remaining in the 55- 65 USD/b range for the first half of the year, oil prices declined throughout the rest of the year dropping below 40 USD/b in December. In the end of May 2016, the oil price was up to c. 49 USD/b. According to DNB Markets, the oil price will be above 60 USD/b by year-end 2016, with a long-term price forecast of 80 USD/b.

**Long term oil price forecast of 60-80 USD/b**



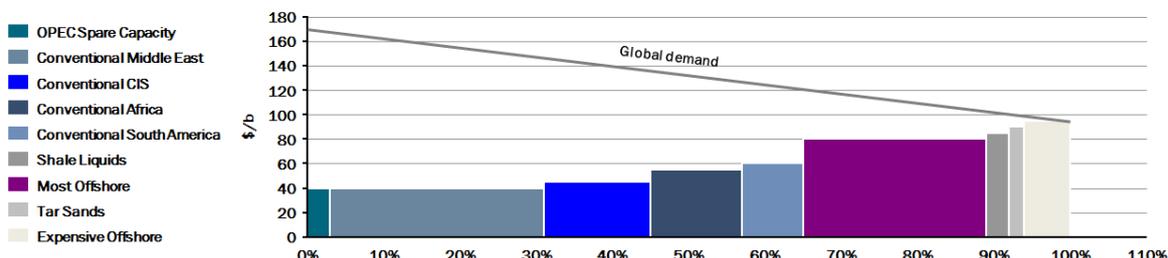
Source: DNB Markets, Reuters.

7.4.5 Marginal supply

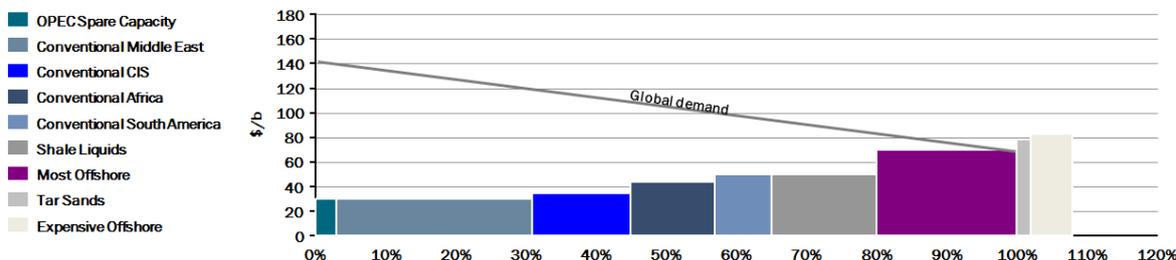
The current low oil prices are pushing expensive resources out, but 'Most Offshore' will be attractive in a normalized market. As the majority of FPSOs are working in 'Most Offshore' area, the expected oil price level will support the long-term outlook for the FPSO industry.

Due to the massive cost cutting and flexible production, 'Shale Liquids' has pushed out and reduced the demand for 'Most Offshore'. However, 'Most Offshore' remains the second largest contributor to marginal supply.

Old marginal supply vs. oil price



New marginal supply vs. oil price



Note: The bars show the high end of majority analyst estimates of breakeven prices by source.

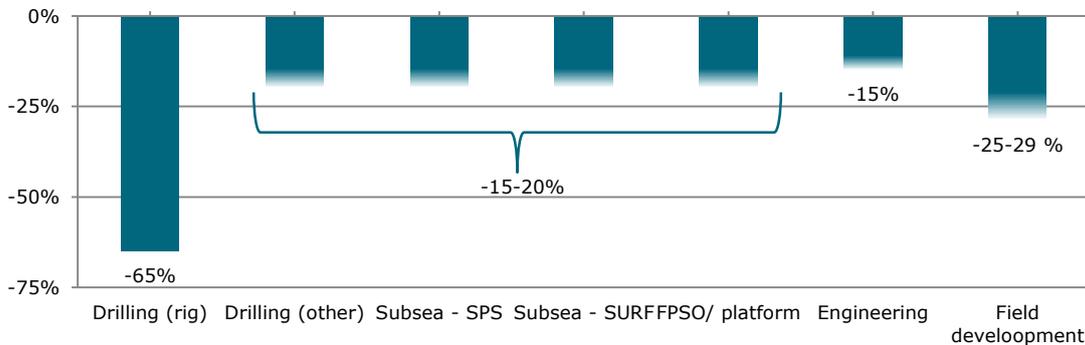
Source: DNB Markets, Bloomberg, Reuters. J.T. Gabrielsen Consulting, IEA, PIRA.

7.4.6 Offshore production and field development costs

The current drop in oil prices has resulted in significant cost deflation, with oil companies reporting cost reductions on new field developments of 25-29%.

The FPSO industry's already proven ability to reduce cost is making FPSO development more attractive and supporting the long-term usage of FPSOs as the preferred offshore production system.

**Offshore oil service industry cutting costs**



Source: DNB Markets.

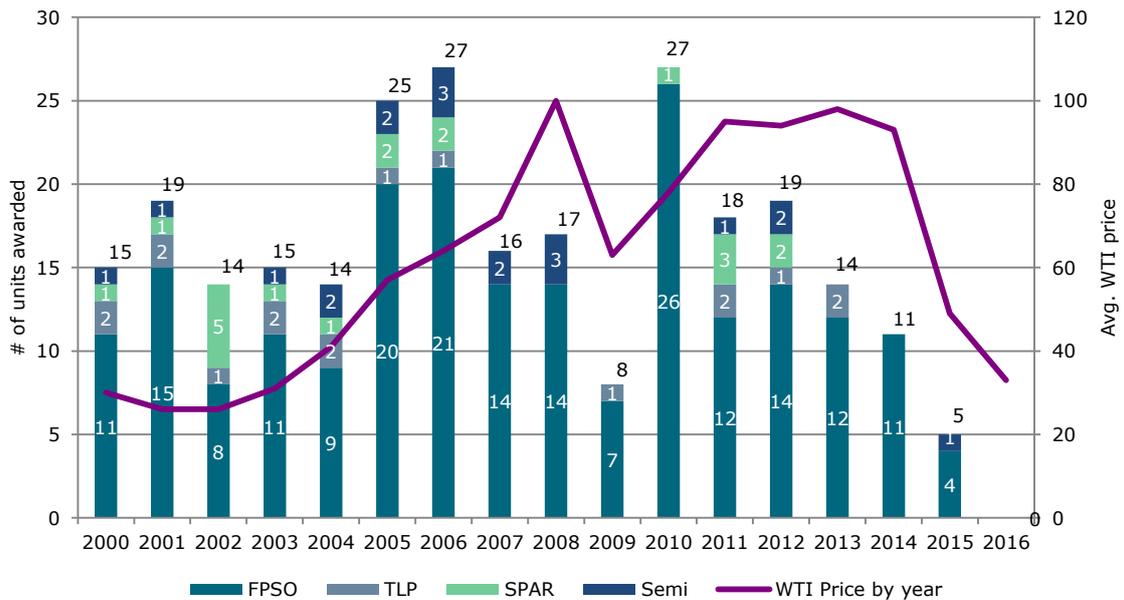
**7.4.7 Redeployment**

FPS awards are correlated with the oil price, but price alone does not provide the full picture. Historically, FPSOs are awarded contracts even in a low oil price environment. Ambit low oil price, 2001 – 2002, 2009 and 2015 saw several FPS awards.

Economic life of field supports redeployment, and field development and new technical solutions normally adds to total reserves and field life, continued production defers abandonment capex, and high/medium oil price makes tail production profitable.

Given the proportion of sunk cost related to producing fields, and assuming production revenue exceeding field OPEX, field cash flow is robust, and hence oil companies continue to produce. This evident by the fact that 90% of all FPSOs are extended or redeployed, and FPSO contracts are on average extended by seven years (Source: BW Offshore based on IMA, Infield and IHS data; sample in MBA thesis – 17 out of 17, IEA/Sorbonne 2013; Fernley Offshore 2013).

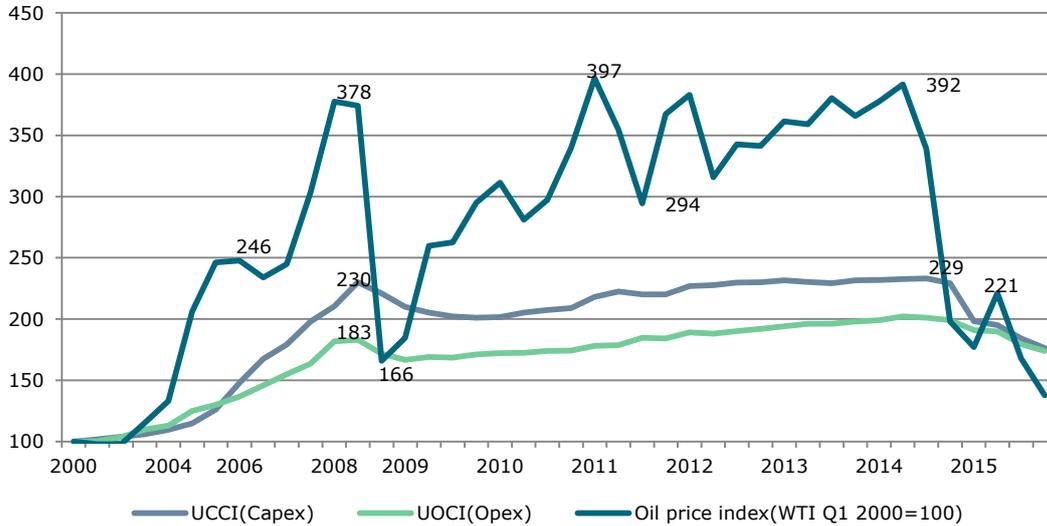
**Oil price and contract awards**



Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

Cost must balance with oil price for ordering to increase significantly. The fewest FPSO orders occurred when the oil price index was below the cost indexes (2009, 2015). Costs have declined sharply since the second quarter of 2014, but oil prices have fallen further. According to EMA, capex has fallen by c.25% to 2006 levels, opex has fallen by c.15% to 2010 levels, oil prices has fallen by c.50% to 2004 levels.

**Comparison of operating cost, capital cost, and oil price indices**



Source: EMA Analysis (IHS, EIA).

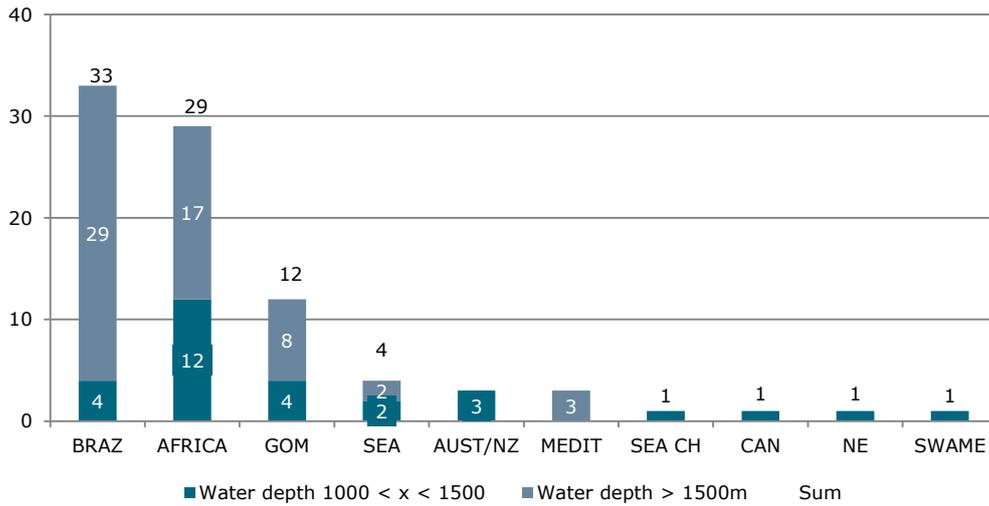
#### 7.4.8 Floater projects planned or under study

EMA has identified 240 projects in the appraisal, planning, or bidding/final design stages that potentially require a floating production or storage system. These projects are declared discoveries or planned developments where a floating production or storage system could be a development option.

Africa is the most active region for future projects, with 49 potential floater projects in the planning cycle. Next is Brazil with 41 projects, followed by South East Asia with 38 projects, Northern Europe with 25 projects, the Gulf of Mexico with 23 projects, Australia with 13 projects, South West Asia/Middle East and Canada each with 11 projects, the Mediterranean with 10 projects, China with nine projects and South America with seven projects. In terms of potential number of floating production units, Brazil is the clear leader as some Brazilian developments require multiple units.

In terms of water depth, 59 projects (25%) worldwide are in ultra-deepwater, 29 projects (12%) are in water depths of 1,000 to 1,500 meters and 152 projects (63%) are in less than 1,000 meters. Brazil, Africa and the Gulf of Mexico account for the vast majority of deepwater projects – 84% of projects located in over 1,000 meters of water are in these three areas. For ultra-deepwater projects, Brazil is clearly the leading location with 49% of all projects in water depths exceeding 1,500 meters located in Brazil.

#### **Deepwater and ultra-deepwater projects in AP, PL, and B/FD stage by region**



Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

7.4.9 Possible FPSO awards next two years

According to EMA, there are 15 possible FPSO awards the next two years. Six of these will require newbuilds, with another potential four will be either newbuilds or conversions/redeployments. Five will be in the North Europe for Statoil, Shell and Chevron, while three will be in Brazil for Petrobras and Karoon.

**Possible awards by end of 2017 (FPSOs only)**

Unit type	Location	Project	Operator	New/Conv/Redeploy
FPSO	Brazil	Kangaroo/Echidna	Karoon	Redeployment
		Libra Pilot	Petrobras	Newbuild/Converted
		Sepia(ex-NE de Tupi)	Petrobras	Newbuild/Converted
	Cambodia	Aspara	Kris Energy	Converted/Redeployment
	China	Lihua 16-2	CNOOC	Newbuild
	Congo	Yombo	Perenco	Newbuild/Converted
	Indonesia	Andre Andre Lumut	Santos	Converted/Redeployment
		Madura MDA/MBH	Husky/CNOOC	Newbuild/Converted
	Nigeria	Bongo Southwest/Aparo	Shell	Newbuild
	U.K	Penguins	Shell	Newbuild
Rosebank		Chevron	Newbuild	
Vietnam	Ca Rong Do/Red Emperor	Repsol	Converted/Redeployment	
FPSO/FSO	Norway	Vette	Det Norske	Newbuild/Converted
FPSO/Semi	Norway	Johan Castberg	Statoil	Newbuild
		Njord A replacement	Statoil	Newbuild

Source: EMA 'Floating Production Systems Quarterly Report' 2016 Q2 (April 2016).

## **8 BUSINESS OF THE GROUP**

### **8.1 Introduction**

BW Offshore is one of the world's leading offshore FPSO (Floating Production, Storage and Offloading) companies (source: EMA<sup>2</sup>). The Group develops, owns, leases and operates FPSOs and FSOs (Floating Storage and Offloading units). As of the date of this Prospectus, the Group owns a fleet of 15 FPSOs (of which one is under construction) and one FSO. In addition, the Group also operates two FPSOs owned by clients.

BW Offshore's primary activity areas are lease and operation services of FPSO units, as well as engineering, procurement, construction and installation services (EPCI) associated with the investment in new units. In both the lease and operation and the EPCI models, BW Offshore will agree to design, engineer and procure the necessary materials and construct a bespoke FPSO in accordance with client specifications, and will normally carry capex and project risk for schedule. Engineering, procurement and installation are mainly conducted by in-house BW Offshore personnel, whereas construction of topsides and re-furbishing and building of the hull is sub-contracted. BW Offshore is not tied to any exclusive frame agreements with yards or subcontractors for these type of services, and will enter into contracts with pre-qualified third parties at an early stage after a contract for delivery and lease of an FPSO has been entered into with a client.

In the lease and operate model, BW Offshore will finance construction of the vessel, retain title to it, and provide operation and maintenance services to the client throughout the term of the lease, in return for payment of a charter rate and/or service fee as appropriate. Responsibility for maintenance and operations belongs to BW Offshore, but BW Offshore is not normally obliged to upgrade or conduct life extension activities. Any modifications, upgrades and/or conduct of life extension activities requested by the client after the commencement of the lease term will have to be separately agreed and compensated. In the EPCI model, BW Offshore will agree to sell the completed vessel to the client for an agreed price. In this case, BW Offshore will, typically, have received payment of all or most of the agreed sales price at the time of delivery and will not be operating the vessel.

Each of the Group's FPSOs are, by nature, bespoke and not as generic in its performance envelope, compared to an offshore operated asset. The Company will seek to redeploy a vessel that has ended its contract before the end of the useful life, and will usually need to undertake modifications to the vessels before commencing operations in the new field. See also Section 2.1 "Risks related to the business of the Group and the industry in which the Group operates" for details on redeployment of vessels.

BW Offshore has a long track record in project execution and operations. During more than 30 years of experience, BW Offshore has executed 38 FPSO and FSO projects. See Section 8.5 "Overview of the Group's business" for further details on the Group's business.

BW Offshore is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa, supported by local onshore teams and an organisation with a global presence. At the date of this Prospectus, the Group has approximately 2,000 full-time employees (not including consultants/contract staff) and offices in 17 countries around the world, providing services to the Group's operations, and the Group has units operating offshore Brazil, Gabon, Indonesia, Ivory Coast, Mauritania, Mexico, New Zealand, Nigeria, UK and U.S.

The Company is incorporated in Bermuda and operated out of Singapore and Norway, and the shares in the Company are listed on the Oslo Stock Exchange. BW Offshore's main shareholder is BW Group, a leading global maritime group, holding 49.75% of the shares in the Company.

### **8.2 Competitive strengths**

The sheer size of FPSO projects, and the need for expertise has created significant barriers to entry in the top tier FPSO sector. The trend is solidified in that clients see themselves having to engage the high-end FPSO contractors in Front End Engineering Design (FEED) studies either exclusively or in competitive tenders to ensure participation. BW Offshore believes that it is part of the top tier FPSO sector, and can further benefit from future production developments, due to the following competitive strengths:

**Leading FPSO contractor with strong credentials.** Over the past three decades, BW Offshore has completed 38 FPSO and FSO conversions resulting in a strong conversion competence developed over time. In addition, BW Offshore has the unique privilege of having operated these units. Both these factors provide a robust foundation for future

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<sup>2</sup> See Section 4.2.2 "Industry and market data" for further information regarding EMA.

projects, and result in BW Offshore being in a valuable position of being experienced in all phases from engineering through to long-term operations, and thereby having a unique competitive advantage when it comes to providing clients with an efficient total life cycle cost.

**Pragmatic and innovative engineering design.** BW Offshore has in-house competence related to engineering design, with a focused core team of engineering experts, technical documentation and standards built from years of FPSO engineering experience and decades of operating experience working with FPSOs long after they have been designed and built. The team at BW Offshore has established optimised design criteria taking into account parameters such as prevailing laws and regulations, class requirements, client requirements, pragmatic considerations and past experience. BW Offshore has experience in a wide range and number of challenging assignments, having built and operated a wide range of assets such as the world's largest and the world's smallest FPSOs as well as the world's deepest moored FPSO.

**Operations and maintenance expertise.** BW Offshore's Operations & Maintenance (O&M) services is valued by clients on a stand-alone basis. BW Offshore makes an effective partnering choice for clients wanting to outsource the technical competence to run and operate these complex units. With an existing operational network to leverage, the Company offers synergies that may be difficult to achieve on a stand-alone basis. Well established infrastructure, manning pools and supply chain networks are some immediate advantages to clients in addition to the familiarity with regulatory requirements, technical maintenance and life-cycle cost management offered by BW Offshore.

**Wide experience and results.** With an average up-time of 99% (excluding the downtime of FPSO Cidade de São Mateus as described in Section 8.14 "Health, safety and environmental matters") over the past five years, BW Offshore has consistently exceeded client expectations and been a top tier performer for FPSO operations globally. 600,000 barrels of oil equivalent in daily volume is handled in areas as diverse as North Sea, West Africa, the South Atlantic off Brazil, the Gulf of Mexico, and South East and Far East Asia. The high quality and consistent signature performance generates significant cash flow for clients.

**Provide clients with reduced investments and financial exposure.** BW Offshore adopts an approach which reduces the investment and the financial exposure for clients related to major production assets. Leasing the production asset and leaning on BW Offshore to finance and dispose of production assets, has allowed clients to focus on their core competence areas of developing and managing reservoirs. BW Offshore's fleet represents a large investment in advanced offshore production facilities. BW Offshore has a proven track record for redeployment and contract extensions, and is well placed to realise untapped commercial potential in the existing fleet. The ability to redeploy vessel can enable marginal fields that would be deemed unprofitable if a new FPSO development was to be considered.

**Funding based on contract with clients.** BW Offshore has a strong relationship with a number of banks and close contact with the equity market through the Oslo Stock Exchange listing. This enables the structuring of financial packages and to offer lease charters upon firm contracts with reputable clients. BW Offshore has also successfully created funding alternatives through the bond market, in addition to interest from equity partners on individual projects. BW Offshore has been in a position to handle residual value of operating units through effective redeployment thanks to its global footprint and extensive market access.

**Competent and motivated workforce.** BW Offshore's operational performance is delivered by highly qualified, competent and dedicated technical support and logistics service staff. A strong network of country offices ensures operational support that links the units to the hubs in Brazil, Oslo and Singapore. Global recruitment centres and manning partners attract and select best in class candidates for fleet positions offshore from New Zealand, the Philippines, India, Africa, Brazil, Norway, the UK, Russia and Latvia. BW Offshore's international pool of manpower allows for global rotation of talent based on required competence. There is high commitment to local content in countries where the company operates with substantial investment in training and development of local personnel. In a highly competitive and tight talent market, BW Offshore's work ethic and culture, high level of experience and competence, global work opportunities and challenging class leading assignments make it an attractive employer. Access to experienced engineers, officers and crew, with that experience including time in-company and time in-industry, is a major competitive advantage in a market where clients not only value, but require significant combined time in-company and in-industry.

**Experienced management team and international board of directors with strong credentials in corporate governance and strategy.** BW Offshore's management team consists of seasoned executives who have an extensive network of strong relationships with major oil and gas companies, shipyards, global financial institutions and other key

participants in the industry. The team has demonstrated its ability in managing the technical, commercial and financial aspects of BW Offshore's business, backed by years of senior level experience. BW Offshore's management is complemented by a board of directors with extensive collective international experience in shipping, energy and capital markets; as well as a broad range of complementary functional competencies. Building upon BW Offshore's extensive history in the FPSO business, BW Offshore adopts best practice corporate governance and processes with transparent fee structures to ensure alignment with shareholders and clients.

### 8.3 Strategy

BW Offshore's vision is to be the preferred partner and provider for its clients, delivering reliable assets that fulfil the client's requirements for cost effective production, by leveraging the Company's competence and operating experience.

One of the main objectives for BW Offshore is to build assets for long-term leasing, as it believes that leasing is a cost effective and flexible way to optimise the asset use with field life. Leasing also gives the client access to BW Offshore's considerable experience with ship based offshore production facilities. Redeployment of assets is central to the investment strategy of BW Offshore as it allows assets to be monetised on several fields.

BW Offshore's strategic initiatives include growing the business long-term by building fleets in the various offshore operating locations around the world, thereby benefitting from local competence and economies of scale. BW Offshore is deliberate in its pursuit of a number of national and international companies in its client base to even out the risk of the considerable asset investments.

### 8.4 History and important events

The history of BW Offshore stems from two well-known maritime groups. The first is World-Wide Shipping Steamship Company Limited ("**World-Wide Shipping**"), established by Sir Y.K. Pao in 1955, and which entered the tanker market in the mid-1960s. The second is Bergesen d.y. ASA ("**Bergesen**"), which history dates back to 1935 when Mr Sigval Bergesen d.y. established Sig. Bergesen d.y. & Co, a tanker business in Stavanger, Norway.

In 2003, World-Wide Shipping, which was then a privately-owned tanker and bulk shipping company, acquired all the shares of Bergesen. The acquisition brought together two well-established businesses with similar commitments to quality and industry leadership. Bergesen, together with World-Wide Shipping, were reorganised to form Bergesen Worldwide in 2004. In 2007, the group was re-branded BW Group. BW Group is currently a leading global maritime group involved in oil and gas transportation, floating gas infrastructure, environmental technologies and deepwater production. BW Group operates a fleet of over 150 owned, part-owned or controlled vessels, which includes crude oil supertankers, refined oil tankers, LNG and LPG carriers, chemical tankers and FPSO units.

The origin of BW Offshore goes back to 1982, as a department of Bergesen, when Berge Sisar (an LPG FPSO later replaced by Berge Troll) was installed in Angola.

BW Group's offshore division was spun off and listed on the Oslo Stock Exchange in May 2006 as BW Offshore. In 2007, BW Offshore acquired APL (Advanced Production & Loading) Plc. In 2010, APL (Advanced Production & Loading) Plc was sold to National Oilwell Varco. In the same year, BW Offshore acquired all the shares in Prosafe Production Public Limited through a public offer.

BW Offshore has been a pioneer in floating, ship based, offshore production. It was the first company to build and operate an LPG FPSO in Angola in 1982. Later the Company converted and installed the first Arctic FSO. In 2007, BW Offshore delivered the world's largest throughput FPSO, operating on the Mexican YKN fields in the Gulf of Mexico. In 2011, the Company delivered the deepest moored (2,500 m) and first FPSO in the U.S. Gulf of Mexico.

In 2014, the Company started the project to deliver the Catcher FSO that will operate in the UK sector of the North Sea. This unit represents the biggest investment to date of the Company with a total budget of USD 1.2 billion.

As of the date of this Prospectus, the Group owns a fleet of 15 FPSOs (of which one is under construction) and one FSO. In addition, the Group also operates two FPSOs. BW Offshore has a long track record on project execution and operations and has, over more than 30 years of production, executed 38 FPSO and FSO projects.

## 8.5 Overview of the Group's business

The Group's business comprises of construction projects (both conversion projects and newbuilds), including design, engineering, procurement, construction and installation services, and operation and leasing of FPSOs. See Section 8.6 "Construction projects" for a description of the Group's construction projects and Section 8.7 "The fleet" for a description of the Group's fleet. In addition, BW Offshore has also certain non-significant investments in technology and service providers.

## 8.6 Construction projects

BW Offshore has, during more than 30 years of experience, executed 38 FPSO and FSO projects and has delivered several milestone projects in the FPSO market:

- BW Offshore was the first company to operate an LPG FPSO with its operations in Angola from 1982.
- The Company converted and installed the first Arctic FSO (FSO Belokamenka) in 2004.
- The FPSO YUUM K'AK'NÀAB has the world's largest oil throughput capacity, with 600,000 BBL/D; it was also the first FPSO to be installed in the Gulf of Mexico and commenced operations for Pemex on the Ku-Malooob-Zaap field in Mexico in 2007.
- Through a fast track conversion project in 2008/2009 (12 months from signing to first oil), the Company delivered the first FPSO, BW Cidade de São Vicente, to the Tupi/Lula field, one of the largest oil fields offshore Brazil, for Petrobras. This FPSO was the first FPSO dedicated to the Brazilian pre-salt discoveries, and is used by Petrobras for Extended Well Testing (EWT) with relocation 1-2 times per year.
- The BW Pioneer broke industry records as the first FPSO in the U.S. Gulf of Mexico and the deepest disconnectable moored facility (2,500 meters) in the world.
- BW Offshore designed, built and operated the world's first FPSO with drilling capability, the Azurite FPSO.

In April 2014, BW Offshore signed a contract with Premier Oil for the design, construction, installation and operation of an FPSO at the Catcher field in the UK North Sea. The FPSO is currently under construction and is expected to have a processing capacity of 60,000 bbl/day and a storage capacity of 650,000 bbls. Operations are expected to start in the second half of 2017 and the vessel is contracted for a fixed term of seven years and an optional period of up to 18 years from start of production. The contract with Premier Oil includes an option to purchase the vessel at the end of the fixed term and gives Premier Oil the right to terminate upon payment of a termination fee.

BW Offshore contracted with IHI-yard in Japan for a new built hull. BW Offshore has previously reported that hull activities have slipped due to the yard's inability to progress the hull delivery in accordance with the contractual schedule. A mitigation plan has been implemented to minimise the impact to the overall project schedule. As of first quarter 2016, this mitigation plan has worked well as there has been no further slippage to the expected first oil date. Hull completion and topside integration is on schedule to commence in Singapore during third quarter 2016 at Keppel shipyard.

The following table presents an overview of the Group's conversion projects, including past FSO and FPSO projects, and also FSOs and FPSOs in operation:

Name	Client	Type FPSO	Location	Start-up	Status
<b>Past FSO &amp; FPSO projects</b>					
Berge Sisar	Chevron	LPG FSO-conversion	Block 0, Angola	1982	Replaced by Berge Troll in 1989
Asoka Nusantara	Kodeco Energy	FSO-conversion	Madura Sea, Indonesia	1985	
Berge Troll	Chevron Texaco	LPG FSO-conversion	Block 0, Angola	1989	Sold in 2005
Camar Nusantara	Enterprise Oil	FSO-conversion	Camar, Indonesia	1991	
Camar Ayu	GFB Resources	FSO-conversion	Camar, Indonesia	1994	
Al Zaafarana	Zaafarana Oil	FPSO-	Gulf de Suez,	1994	

<b>Name</b>	<b>Client</b>	<b>Type FPSO</b>	<b>Location</b>	<b>Start-up</b>	<b>Status</b>
	Co (25% BG)	conversion	Egypt		
Petróleo Nautipa	Ranger Oil	FPSO- conversion	Angola	1998	Later modified and installed at Etame in Gabon
Ruby Princess	Petronas Carigali	FPSO- conversion	Ruby, Vietnam	1998	
Navion Munin	Statoil	Oil FPSO- newbuild	Lufeng, South China Sea	1997	Sold in 2003
Berge Hugin	Enterprise Oil	Oil FPSO- newbuild	Pierce, North Sea	1999	Sold in 2003
Sendje Berge	Triton Energy	Oil FPSO- newbuild	Ceiba Field, Equatorial Guinea	2000	Replaced by Sendje Ceiba, modified and upgraded before relocated to Okowori, Nigeria
Madura Ayu	Kodeco Energy	Oil FSO- conversion	Madura Sea, Indonesia	2000	Replaced by Madura Jaya FSO in 2003
Sendje Ceiba	Amerada Hess	Oil FPSO- conversion	Ceiba Field, Equatorial Guinea	2002	Sold in 2004
Madura Jaya	Kodeco Energy	Oil FSO- Conversion	Madura Sea, Indonesia	2003	Operation until 2010
Berge Helene	Maersk Oil	Oil FPSO- Conversion	Qatar	2004	Intermediate storage before converted and relocated to Chinguetti, Mauritania
Berge Okoloba Toru	Global	LPG FPSO- Conversion	Bonny River, Nigeria	2005	Sold in 2009
BW Nisa	Vitol	Oil FSO- Conversion	Malaysia	2006	Later converted to FPSO for the P- 63 project
BW Carmen	StatoilHydro	Oil FPSO- Conversion	Bressay, UK	2008	Converted to BW Athena, operation started in 2011
BW Carmen	Shell	Oil FPSO- Conversion	UK, North Sea	2009	Converted to BW Athena, operation started in 2011
Endeavour	Tata Oil/ Hardy Oil	FSO-Conversion	PY-3, India	1997	Operation ended in 2012
Ningaloo Vision	Apache	Oil FPSO- Conversion	Van Gogh, Australia	2010	Sold to Apache 2012
OSX-1 (EPC)	OGX	Oil FPSO- Newbuilt + modification	Campos Basin, Brazil	2012	Delivered 2011
Azurite	Murphy	FDPSO- Conversion	Azurite, Congo	2009	Operated until 2014 - now available
Belokamenka	Rosneft	Oil FSO- Conversion	Kola Bay, Russia	2004	Operated until 2015 - now available
BW Athena	Ithaca	Oil FPSO- Conversion	Athena field, UK	2012	Operated until 2016 - now available
<b>FSOs &amp; FPSOs in operation</b>					
Espoir Ivoirien	CNR	Oil FPSO- Conversion	Ivory Coast	2002	Operation until 2017 (2036)
Petróleo Nautipa	Vaalco	Oil FPSO- Conversion	Etame, Gabon	2002	Operation until 2020 (2022)
Abo	Agip	Oil FPSO- Conversion	Abo, Nigeria	2003	Operation until 2016 (2023)
Sendje Berge	Sinopec (Addax)	Oil FPSO- Conversion	Okwori, Nigeria	2005	Operation until 2018 (2020)
Berge Helene	Petronas (Woodside)	Oil FPSO- Conversion	Chinguetti, Mauritania	2006	Operation until 2017 (2021)
Polvo	PetroRio (Devon)	Oil FPSO- Conversion	Polvo, Brazil	2007	Operation until 2018 (2022)
YÙUM K'AK'NÀAB	Pemex	Oil FPSO- Conversion	Ku-Maloob- Zaap, Mexico	2007	Operation until 2022 (2025)
Umuroa	AWE	Oil FPSO- Conversion	Tui, New Zealand	2007	Operation until 2017 (2022)

Name	Client	Type FPSO	Location	Start-up	Status
Cidade de São Mateus	Petrobras	Gas FPSO-Conversion	Camarupim, Brazil	2009	Operation until 2018 (2024)
BW Cidade de São Vicente	Petrobras	Oil FPSO-Conversion	EWT, Brazil	2009	Operation until 2019 (2024)
BW Pioneer	Petrobras	Oil FPSO-Conversion	Cascade and Chinook, U.S. Gulf of Mexico	2011	Operation until 2020
BW Joko Tole	Kangean Energy	Gas FPSO-Conversion	Terang Sirasun Batur, Indonesia	2012	Operation until 2022 (2026)
Papa Terra P-63 (EPC)	Petrobras	Oil FPSO-Conversion	Brazil	2013	Operated for 3 years before Petrobras take over

## 8.7 The fleet

### 8.7.1 Introduction

As of the date of this Prospectus, the Group owned a fleet of 15 FPSOs (of which one is under construction) and one FSO. In addition, the Group also operates two FPSOs.

BW Offshore's operations involve the manning and maintenance of the oil and gas processing equipment and systems on the FPSO, which is comparable to the manning of a conventional fixed offshore oil platform. At the same time, a FPSO is also a ship, and although normally permanently moored, it requires marine crew to operate and maintain hull and marine systems almost comparable to a sailing oil tanker. Operation and manning of a FPSO therefore requires technical competence and operational experience, in addition to compliance with various requirements, including the class society, flag state, coastal state, and both client and BW Offshore internal procedures.

See Section 11.3.1 "Material factors affecting the Group's results" for key factors relating to the nature of the Group's operations.

The following table presents an overview of the current fleet and contract status/coverage:

Name of unit	Location	Counterparty	Converted	Contract period
<b>FPSOs</b>				
Sendje Berge	Nigeria	Addax/Sinopec	2000	2005-2018 + options until 2020
Abo	Nigeria	Agip/ENI	2003	2003-2016 + options until 2023
Espoir Ivoirien	Ivory Coast	CNR	2002	2002-2017 + options until 2036
Berge Helene	Mauritania	Petronas	2005	2006-2017 + options until 2021
Petróleo Nautipa	Gabon	Vaalco Energy	2002	2002-2020 + options until 2022
YÛUM K'AK'NÀAB	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 <sup>1</sup>	Petrobras	2009	2009-2018 + options until 2024
Polvo	Brazil	PetroRio (HRT)	2007	2007-2018 + options until 2022
BW Pioneer	U.S.	Petrobras	2010	2012-2020
Umuroa	New Zealand	AWE	2007	2007-2017 + options until 2022
BW Joko Tole	Indonesia	Kangean Energy	2012	2012-2022 + options until 2026
BW Catcher <sup>2</sup>	UK	Premier Oil	Ongoing	2017-2024 + options until 2042
<b>Available FPSOs and FSOs</b>				
BW Athena	UK	Tendering	2012	
Azurite	Indonesia	Tendering	2009	
Belokamenka	Indonesia	Tendering	2003	
<b>Operating and maintenance agreement</b>				
Peregrino (FPSO)	Brazil	Statoil		2012-2017 + options until 2032
P-63 (FPSO)	Brazil	Petrobras		2013 to Q2 2016

1 The vessel is currently in Singapore for repairs following incident in February 2015.

2 BW Catcher is still under construction.

In 2015, the BW Offshore fleet processed approximately 600,000 boepd (barrels oil equivalents per day), and stored and performed a total of 372 crude cargo offloadings. In the first quarter of 2016, the BW Offshore fleet processed approximately 528,000 boepd, and stored and performed a total of 78 crude cargo offloadings. The FPSOs experienced stable production and had an average uptime over the last five years of 99%. The current operating fleet uptime is 97.8%.

The BW Offshore units currently in operation are primarily based on VLCC or Suezmax hulls with storage capacity in the region of 0.5 to 2 million barrels. The units are moored in water depths up to 2,500 meters, and have operated with internal and external turrets as well as spread mooring systems. Topside oil processing capacities have ranged from 30,000 bbl/day to 200,000 bbl/day and water injection has been delivered both with and without sulphate removal.

The total order backlog currently represents a total value of some USD 8.1 billion (whereof approximately 44% is fixed contract value). BW Offshore's contracts contain typical clauses relating to termination upon default, and some contracts allow for early termination for convenience, always subject to prior written notice and usually upon payment of a termination fee.

8.7.2 *Sendje Berge*

The following table presents technical specifications for Sendje Berge:

<b>Technical specifications Sendje Berge</b>		
	First oil:	March 2005
	Liquid production capacity:	60,000 bbl/d
	Oil production capacity:	50,000 bbl/d
	Water injection capacity:	0 bw/d
	Gas compression:	55 mmscfd
	Storage capacity:	2,000,000 bbls
	Length overall:	350 meters
	Breadth moulded:	52 meters
	Depth moulded:	27 meters
	Built year:	1974
	Converted to FPSO year:	2004
	Mooring:	Spread mooring
	Water depth:	140 meters
	Topside weight	2,975 ton
	Class:	DNV
Flag:	Bermuda	

**Contract with Addax Petroleum Exploration (Nigeria)**

Sendje Berge operates at the Okwori field offshore Nigeria for Addax Petroleum Exploration (Nigeria). The contract duration was originally four years fixed and four years optional from March 2005. At the expiry of the contract, it was extended for another seven years (until 2020) of which five years is fixed (until 2018). The new contract carries a higher charter rate to reflect increased life extension works performed by BW Offshore. Addax Petroleum Exploration (Nigeria) has the option to purchase the vessel. The current average production is approximately 15,000 bbls/day (2016). The Company has initiated arbitration proceedings against Addax Petroleum Exploration (Nigeria) for unpaid rate and other amounts, see Section 8.10 "Legal proceedings".

8.7.3 Abo

The following table presents technical specifications for Abo:

<b>Technical specifications Abo</b>		
	First oil:	April 2003
	Liquid production capacity:	51,000 bbl/d
	Oil production capacity:	44,000 bbl/d
	Water injection capacity:	33,000 bw/d
	Gas compression:	48.4 mmscfd
	Storage capacity:	930,000 bbls
	Length overall:	268 meters
	Breadth moulded:	54 meters
	Depth moulded:	20 meters
	Built year:	1976
	Converted to FPSO year:	2002
	Mooring:	Spread mooring
	Water depth:	550 meters
	Topside weight	4,870 ton
	Class:	DNV
Flag:	Panama	

**Contract with Nigerian Agip Exploration Ltd**

Abo FPSO operates at the Abo field offshore Nigeria for Agip Exploration Ltd. The contract duration was originally eight years fixed and two years optional from April 2003, but the fixed lease contract was extended in two short term contract with a long-term contract being agreed from January 2016. The new contract carries two years fixed until December 2016, followed by seven years of options (December 2023). The new contract has a reimbursable cost-plus life extension scope with a form of lease-to-purchase charter rate attached until contract expiry. The lease-to-purchase arrangement ensures that Agip Exploration Ltd has a low purchase option at the end of the option terms. The current average production is approximately 24,000 bbls/day (2016).

8.7.4 Espoir Ivoirien

The following table presents technical specifications for Espoir Ivoirien:

<b>Technical specifications Espoir Ivoirien</b>		
	First oil:	February 2002
	Liquid production capacity:	58,000 bbl/d
	Oil production capacity:	45,000 bbl/d
	Water injection capacity:	60,000 bw/d
	Gas compression:	80 mmscfd
	Storage capacity:	1,100,000 bbls
	Length overall:	269 meters
	Breadth moulded:	54 meters
	Depth moulded:	20 meters
	Built year:	1975
	Converted to FPSO year:	2001
	Mooring:	Internal turret
	Water depth:	120 meters
	Topside weight	3,253 ton
	Class:	DNV
Flag:	Panama	

**Contract with Canadian Natural Resources International**

The Espoir Ivoirien FPSO operates at the Espoir field offshore Ivory Coast for Canadian Natural Resources International (CNR). After the original conversion, the vessel was upgraded in 2005 to accommodate the tie-in of the West Espoir wellhead platform. The contract duration was originally ten years fixed and ten years optional from February 2002. In April 2012, the contract was renegotiated to reflect a long-term life extension plan with five years fixed, and options spanning until 2036. The new contract carries a mix of reimbursed cost-plus CAPEX and CAPEX reimbursed through a fixed charter rate. The current average production is approximately 16,000 bbls/day (2016), and Canadian Natural Resources International is targeting field life beyond 2030 based on several planned drilling campaigns and a predictable reservoir that has previously delivered according to expectations.

8.7.5 *Berge Helene*

The following table presents technical specifications for Berge Helene:



<b>Technical specifications Berge Helene</b>	
First oil:	February 2006
Liquid production capacity:	100,000 bbl/d
Oil production capacity:	75,000 bbl/d
Water injection capacity:	100,000 bw/d
Gas compression:	80 mmscf/d
Storage capacity:	1,650,000 bbls
Length overall:	349 meters
Breadth moulded:	52 meters
Depth moulded:	27 meters
Built year:	1976
Converted to FPSO year:	2003 & 2005
Mooring:	External turret
Water depth:	690 meters
Topside weight:	4,500 ton
Class:	DNV
Flag:	Bermuda

**Contract with Petronas Carigali Mauritania 1 Pty Ltd**

The Berge Helene FPSO operates at the Chinguetti field offshore Mauritania for Petronas Carigali Mauritania 1 Pty Ltd. The duration of the contract is seven years fixed and four two-year options from February 2006. The current term expiry is May 2017. The current average production is approximately 5,000 bbls/day (2016). BW Offshore is currently planning for demobilisation in 2017 on a cost-plus basis.

8.7.6 *Petróleo Nautipa*

The following table presents technical specifications for Petróleo Nautipa:



<b>Technical specifications Petrleo Nautipa</b>	
First oil:	September 2002
Liquid production capacity:	30,000 bbl/d
Oil production capacity:	30,000 bbl/d
Water injection capacity:	0 bw/d
Gas compression:	3 mmscf/d
Storage capacity:	600,000 bbls
Length overall:	266 meters
Breadth moulded:	44 meters
Depth moulded:	23 meters
Built year:	1975
Converted to FPSO year:	1998 & 2002
Mooring:	Spread mooring
Water depth:	76 meters
Topside weight:	1,145 ton
Class:	DNV
Flag:	Singapore

**Contract with Vaalco Gabon Inc**

The Petrleo Nautipa FPSO operates at the Etame field offshore Gabon for Vaalco Gabon Inc. This charter originally ran to September 2007. In April 2005, it was renegotiated and extended to September 2012. The fixed lease contract was again extended in September 2012 by eight years until March 2020, whereby the client has an option to extend for another two years (September 2022). The new contract carries a higher charter rate to reflect increased life extension works performed by BW Offshore. Vaalco Gabon Inc has the option to purchase the vessel at the expiry of the option term. The current average production is approximately 18,000 bbls/day (2016).

8.7.7 YÙUM K'AK'NÀAB

The following table presents technical specifications for YÙUM K'AK'NÀAB:

<b>Technical specifications YÙUM K'AK'NÀAB</b>		
	First oil:	June 2007
	Liquid production capacity:	600,000 bbl/d
	Oil production capacity:	200,000 bbl/d
	Water injection capacity:	0 bw/d
	Gas compression:	120 mmscfd
	Storage capacity:	2,200,000 bbls
	Length overall:	341 meters
	Breadth moulded:	65 meters
	Depth moulded:	32 meters
	Built year:	1981
	Converted to FPSO year:	2007
	Mooring:	Internal turret
	Water depth:	100 meters
	Topside weight:	9,081 ton
	Class:	DNV
Flag:	Bermuda	

**Contract with Pemex Exploración Y Producción**

YÙUM K'AK'NÀAB is operating at the Ku-Maalob-Zaap field offshore Mexico for Pemex Exploración Y Producción. The vessel commenced operations in July 2007. The duration of the contract is 15 years fixed and with option to extend for additional three years. The title of the vessel will automatically be transferred to Pemex Exploración Y Producción at the end of the financial lease term without compensation. The current average production is approximately 142,000 bbls/day (2016) plus blending and offloading from other fields.

8.7.8 BW Cidade de São Vicente

The following table presents technical specifications for BW Cidade de São Vicente:

<b>Technical specifications BW Cidade de São Vicente</b>		
	First oil:	April 2009
	Liquid production capacity:	45,000 bbl/d
	Oil production capacity:	30,000 bbl/d
	Water injection capacity:	0 bw/d
	Gas compression:	3.5 mmscfd
	Storage capacity:	470,000 bbls
	Length overall:	254 meters
	Breadth moulded:	44 meters
	Depth moulded:	23 meters
	Built year:	1976
	Converted to FPSO year:	2009
	Mooring:	External turret
	Water depth:	2,140 meters
	Topside weight:	1,142 ton
	Class:	DNV
Flag:	Bermuda	

**Contract with Petrobras**

The FPSO BW Cidade de São Vicente commenced operations in April 2009 on a 10 year firm lease contract at the Tupi field offshore Brazil. The client has five options to extend the contract with one year. The vessel operates as an early test production FPSO moving to a new location every 6-9 months.

8.7.9 *Cidade de São Mateus*

The following table presents technical specifications for Cidade de São Mateus:



<b>Technical specifications Cidade de São Mateus</b>	
First oil:	June 2009
Liquid production capacity:	94,000 bbl/d
Oil production capacity:	25,000 bbl/d
Water injection capacity:	31,000 bw/d
Gas compression:	253 mmscfd
Storage capacity:	700,000 bbls
Length overall:	333 meters
Breadth moulded:	58 meters
Depth moulded:	30 meters
Built year:	1989
Converted to FPSO year:	2009
Mooring:	Spread mooring
Water depth:	792 meters
Topside weight	10,188 ton
Class:	ABS
Flag:	Panama

**Contract with Petrobras**

Cidade de São Mateus normally operates at the Camarupim field offshore Brazil for Petrobras. The vessel commenced operations in October 2009. The duration of the contract is nine years fixed (until 2018), with option to extend for additional six years. The vessel is currently in Keppel shipyard in Singapore for repairs following incident in February 2015. Before the assessment at Keppel shipyard and discussions with the client are concluded with a rectification plan, it is not clear when the unit will return to the field.

8.7.10 *Polvo*

The following table presents technical specifications for Polvo:



<b>Technical specifications Polvo</b>	
First oil:	July 2007
Liquid production capacity:	150,000 bbl/d
Oil production capacity:	90,000 bbl/d
Water injection capacity:	100,000 bw/d
Gas compression:	8 mmscfd
Storage capacity:	1,817,000 bbls
Length overall:	341 meters
Breadth moulded:	54.5 meters
Depth moulded:	28 meters
Built year:	1981
Converted to FPSO year:	2007
Mooring:	Internal turret
Water depth:	100 meters
Topside weight	3,500 ton
Class:	DNV
Flag:	Panama

**Contract with PetroRio**

The Polvo FPSO operates at the Polvo field located in the Campos basin offshore Brazil for PetroRio (ex HRT). The vessel commenced operations in July 2007. The duration of the contract was seven years fixed and option to extend for additional eight years. PetroRio recently decided to extend until July 2018 in exchange for an oil price adjusted rate. Extensions beyond 2018 will not have any oil price adjustments, and will be significantly higher than today's rate. The current average production is approximately 7,500 bbls/day (2016). PetroRio targets field life beyond current option expiry in 2018.

8.7.11 *BW Pioneer*

The following table presents technical specifications for BW Pioneer:



**Technical specifications BW Pioneer**

First oil:	February 2012
Liquid production capacity:	80,000 bbl/d
Oil production capacity:	80,000 bbl/d
Water injection capacity:	0 bw/d
Gas compression:	16 mmscfd
Storage capacity:	600,000 bbls
Length overall:	242 meters
Breadth moulded:	42 meters
Depth moulded:	20 meters
Built year:	1992
Converted to FPSO year:	2010
Mooring:	Internal turret / Dynamic
Water depth:	2500 meters
Topside weight	1,284 ton
Class:	DNV
Flag:	Bermuda

**Contract with Petrobras America Inc.**

BW Pioneer operates at the Cascade & Chinook fields in the U.S. Gulf of Mexico at the Walker Ridge area for Petrobras America Inc. The vessel commenced operations in March 2012 following a year on stand-by rates due to complications at the field. The duration of the contract was five years fixed and option to extend for additional three years. There exists no purchase option for the client to buy the vessel. Petrobras America Inc. has recently exercised its option to extend for the full option period (until 2020). The current average production is approximately 16,000 bbls/day (2016). Field reserves are considered robust, and Petrobras has indicated plans to produce the field significantly beyond 2020. BW Pioneer was disconnected for two months in the second quarter of 2016 for repair of the wire segments of the subsea mooring system, which was partially covered by insurance. The unit was hooked up again by early June 2016, and production re-commenced.

8.7.12 *Umuroa*

The following table presents technical specifications for Umuroa:



**Technical specifications Umuroa**

First oil:	July 2007
Liquid production capacity:	120,000 bbl/d
Oil production capacity:	50,000 bbl/d
Water injection capacity:	0 bw/d
Gas compression:	25 mmscfd
Storage capacity:	790,000 bbls
Length overall:	241 meters
Breadth moulded:	46 meters
Depth moulded:	23 meters
Built year:	1981
Converted to FPSO year:	2007
Mooring:	Internal turret
Water depth:	125 meters
Topside weight	2,700 ton
Class:	DNV
Flag:	Panama

**Contract with Australian Worldwide Exploration**

The Umuroa FPSO operates at the Tui field in the Taranaki basin offshore New Zealand for Australian Worldwide Exploration. The original contract was for a firm period of five years, with five one-year extension options. The contract was negotiated in May 2008 to an eight year firm period to 31 December 2015, with seven one-year options to 31 December 2022. In January 2016, Australian Worldwide Exploration exercised its option to extend the contract for one year up to the fourth quarter of 2017. The extension carried with it an oil price adjustment mechanism that at the current oil price is giving a discount below USD 60/bbl. The current average production is approximately 4,000 bbls/day (2016).

8.7.13 *BW Joko Tole*

The following table presents technical specifications for BW Joko Tole



**Technical specifications BW Joko Tole**

First oil:	June 2012
Liquid production capacity:	64,000 bbl/d
Oil production capacity:	7,000 bbl/d
Water injection capacity:	0 bw/d
Gas compression:	340 mmscfd
Storage capacity:	200,000 bbls
Length overall:	247 meters
Breadth moulded:	42 meters
Depth moulded:	20 meters
Built year:	1988
Converted to FPSO year:	2011
Mooring:	Spread mooring
Water depth:	95 meters
Topside weight	4,249 ton
Class:	DNV
Flag:	Indonesia

**Contract with Kangean Energy Indonesia**

The Joko Tole gas FPSO operates at the TSB field offshore Indonesia for Kangean Energy Indonesia (KEI). The vessel commenced operations in May 2012. The duration of the contract is ten years fixed (until 2022), with option to extend for additional four years. The current average production is approximately 227 mmscf/day (2016).

8.7.14 *BW Athena*

The following table presents technical specifications for BW Athena:



**Technical specifications BW Athena**

First oil:	May 2012
Liquid production capacity:	40,000 bbl/d
Oil production capacity:	28,000 bbl/d
Water injection capacity:	30,000 bw/d
Gas compression:	3.7 mmscfd
Storage capacity:	50,000 bbls
Length overall:	121.8 meters
Breadth moulded:	21 meters
Depth moulded:	11.5 meters
Built year:	1994
Converted to FPSO year:	1999 & 2012
Mooring:	STP / Dynamic
Water depth:	Available
Topside weight	750 ton
Class:	DNV
Flag:	Bermuda

At the start of 2016, Ithaca Energy terminated its contract with BW Offshore. BW Athena has previously been employed on short-term lease contracts in the Norwegian and UK sector of the North Sea, then under the name BW Carmen. The lease and operate contract with Ithaca Energy, and partners commenced in June 2012 and carried a three year fixed term with the option to extend for another five years. The unit is currently in hot lay-up, and is being tendered for new marginal field developments in the North Sea.

### 8.7.15 Azurite

The following table presents technical specifications for Azurite:

<b>Technical specifications Azurite</b>		
	First oil:	August 2009
	Liquid production capacity:	60,000 bbl/d
	Oil production capacity:	40,000 bbl/d
	Water injection capacity:	60,000 bw/d
	Gas compression:	18 mmscfd
	Storage capacity:	1,350,000 bbls
	Length overall:	322 meters
	Breadth moulded:	56 meters
	Depth moulded:	29.5 meters
	Built year:	1988
	Converted to FPSO year:	2009
	Mooring:	Spread mooring
	Water depth:	Available
	Topside weight:	1,520 ton
Class:	DNV	
Flag:	Panama	

At the start of 2014 Murphy West Africa Ltd. terminated its contract with BW Offshore in exchange for an early termination fee. The FDPSO Azurite was at the time under a seven year charter followed by four two-year options. The operations commenced at the Mer Profonde Sud Block offshore the Republic of Congo in April 2009. The unit is currently in hot lay-up, and is being tendered for redeployment.

### 8.7.16 Belokamenka

The following table presents technical specifications for Belokamenka:

<b>Technical specifications Belokamenka</b>		
	First oil:	February 2004
	Liquid production capacity:	0 bbl/d
	Oil production capacity:	0 bbl/d
	Water injection capacity:	0 bw/d
	Gas compression:	0 mmscfd
	Storage capacity:	2,400,000 bbls
	Length overall:	341 meters
	Breadth moulded:	65 meters
	Depth moulded:	32 meters
	Built year:	1980
	Converted to FSO year:	2004
	Mooring:	Spread mooring
	Water depth:	Available
	Topside weight:	0 ton
Class:	DNV	
Flag:	Russian federation	

The FSO Belokamenka previously operated as an oil terminal in the Koala Bay, Russia for Rosneft since April 2004. The contract was terminated, and the unit has been in lay-up since January 2016. The FSO is one of the few ULCC's left in the world. The Company is currently evaluating using the vessel for oil storage or similar opportunities.

## 8.8 Property, plant and equipment

BW Offshore leases office properties in most of the countries in which it operates. The major leased offices include Oslo (Norway), Singapore, Rio de Janeiro (Brazil), Houston (USA) and Lagos. The table below sets out certain information on the Group's major leased properties:

<b>Location</b>	<b>Office type</b>	<b>2016 annual rent (USD)</b>	<b>Expiration of lease</b>
Oslo, Norway	Corporate office	1.45 million	1 Dec 2016
Singapore	Corporate office	3.01 million	31 Dec 2019
Rio de Janeiro, Brazil	Onshore office	0.49 million	31 Aug 2018
Houston, USA	Corporate office	0.58 million	31 Aug 2019
Lagos	Onshore office	0.35 million	28 Feb 2017

The Company is of the opinion that its premises are sufficient for its current business for the foreseeable future. There are no major encumbrances at the properties. Further, there are no environmental issues for the office leases.

The Company's main fixed assets are its FPSOs. As at 31 December 2015, the FPSOs, FSO and vessels had a book value of USD 2,694.1 million, or 99.6% of the total property, plant and equipment book value of USD 2,706.1 million as at 31 December 2015. See Section 8.7 "The fleet" for a description of the FPSOs and Section 8.12 "Environmental and other regulations" for environmental issues which may affect the FPSOs. The remaining amounts relating to the Company's property, plants and equipment consist of vehicles, office furniture and fittings as well as IT equipment. Except for mortgages over certain vessels granted to facility banks in connection with the Company's credit facilities (see Section 11.6.2 "Credit facilities"), there are no major encumbrances on the Group's fixed assets.

### **8.9 Information technology**

BW Offshore has an in-house IT department which supports the organisation with stable, efficient and cost-effective IT solutions. BW Offshore believes in establishing suitable supporting infrastructure to enable effective and responsive operations (both onshore and offshore), and to support timely, relevant, and reliable information for business decision-making. The Company believes that modern IT solutions and tools will enable its employees to work more efficiently, and regularly conducts support training to increase application competence in the Company. BW Offshore's IT department is always on the look-out for new tools or features, and seeks to enhance and optimize the existing tools in use so as to promote greater efficiency and results. BW Offshore uses a standardized Microsoft platform to minimize the need for integration with other platforms. BW Offshore's modern ERP solution is also closely connected to Business Intelligence (BI) which provides updated information from all its systems to ease decision-making at all levels.

### **8.10 Legal proceedings**

From time to time, the Company and other companies in the Group may become involved in litigation, arbitration, disputes and other legal or governmental proceedings arising in the normal course of business. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

A notice revoking the VAT exemption given in 2012 for the importation of FPSO BW Joko Tole was issued in September 2013. The total claimed amount is Indonesian Rupiah 429 billion (equivalent to USD 31.8 million as at 27 June 2016). It is the Group's position, supported by its Indonesian advisors, that the revocation of the exemption was unfounded and contrary to Indonesian law. Various meetings have been held between Management, the Group's Indonesian advisors and officials of the Indonesian Directorate General of Taxation (DGT) relating to this. As at the date of this Prospectus, no formal VAT assessment has been issued and consequently no provision has been made for this.

Separately, the Group received a tax assessment for approximately USD 9.4 million issued by the Tax Office in relation to a corporate tax audit in Indonesia for the financial year 2013. Such assessment related to the Tax Office's disagreement with the Group's revenue recognition method for tax reporting, and it is likely that the Tax Office may use the same arguments and mode of assessment to issue similar tax assessments for the financial year 2014 and the financial year 2015 (although no formal assessment have been received by the Group as at the date of this Prospectus). It is the Group's position that that revenue recognition for tax reporting follows financial reporting aligned with IFRS and Indonesian general accounting principles. The Group will object to the tax assessment and is being supported by its Indonesian advisors for this process. No taxes for this assessment has been paid as of the date of this report and no provision has been made.

The Company has ongoing tax audits in Brazil. The tax authorities are challenging allocation of revenues for taxation in Brazil. BW Offshore has reported revenues in Brazil per the contracts in place with clients. The authorities are arguing that contracts in place have created loss making positions for Brazilian entities and that equity injection to Brazil from overseas entities should be considered taxable revenues for the Brazilian incorporated entities. Such position would result in additional revenue taxes, as well as reduction of accumulated tax losses for BW Offshore if the case is won by the authorities. BW Offshore is of the view that there are strong arguments supporting the Company's case and hence no provisions have been made for any tax liability arising from the tax audit. An appeal has been filed for each entity for which the audit has been finalised, and the appeal is currently under review at administrative level by the tax authorities and no final decision has been reached so far. A similar case of tax assessment for another company in the industry has already been ruled against the tax authorities.

In March 2016, the Company initiated arbitration against Addax Petroleum Exploration (Nigeria) for unpaid rate and other amounts, totalling approximately USD 23.3 million as at the date of this Prospectus. The Company is also currently in settlement discussions with PetroRio to resolve certain disputes between the parties, including the proper

forum to determine the entitlement to suspend operations, overdue payments, and claims for lost production due to alleged failure to maintain and repair.

Save as mentioned in this Section, neither the Company nor any other company in the Group is, nor has been during the course of the preceding 12 months, involved in any legal, governmental or arbitration proceedings which may have, or has had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

### **8.11 Material contracts**

Save for the Underwriting Agreement as further described in Section 18.20 "The Underwriting", neither the Group nor any member of the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Furthermore, the Group has not entered into any other contract outside the ordinary course of business which contains any provision under which any member of the Group has any obligation or entitlement.

### **8.12 Environmental and other regulation**

#### *8.12.1 Introduction*

As a provider of floating production units and services to the oil and gas industry, BW Offshore is required to ensure that its units comply with statutory requirements as defined by the relevant Coastal State and/or other Local Governing Authorities (LGA's), Flag State national laws and regulations, IMO Codes and Conventions, Classification rules and requirements and international standards applicable for FPSOs and FSOs of the type depending on the area of operation.

BW Offshore has established a management system covering policies and procedures for, amongst others, compliance with environmental regulations, which is regularly verified and audited both internally and externally. Internal audits and inspections are conducted by the various disciplines within the organisation, while external audits and inspections are conducted by coastal and flag state inspectors, regulatory authorities, classification bodies and other relevant governmental authorities.

Below is the summary of the environmental and other regulations BW Offshore's units demonstrate compliance with:

#### *8.12.2 EU Directives pertaining to environment (UK Continental Shelf)*

BW Offshore is required to comply with certain EU Directives pertaining to the environment due to its vessels operating on the UK Continental Shelf. These include directives relating to the risk control for dangerous substances and explosive atmospheres, oil pollution preparedness and emergency response plan, obtaining of permits for control of offshore combustions and assessments of the effects of certain public and private activities on the environment.

#### *8.12.3 Coastal State and/or other Local Governing Authorities (LGA's)*

BW Offshore is required to comply with all Coastal States and/or other Local Governing Authorities in the jurisdictions in which it and its units operate. At date of the Prospectus, the Group has units operating offshore Brazil, Gabon, Indonesia, Ivory Coast, Mauritania, Mexico, New Zealand, Nigeria, UK and U.S., and a non-exhaustive summary of the major regulations that BW Offshore complies with is set out below:

#### **Brazil**

The main government agencies that affect BW Offshore's operations in Brazil are: Ministry of Labor and Employment (MTE), Navy and DPC (Ports and Coasts Agency), National Telecommunications Agency (ANATEL), National Oil Agency (ANP), Ministry of Health, National Agency of Sanitary Vigilance (ANVISA), National Agency of Civil Aviation (ANAC), National Institute of Environment and Renewable Natural Resources (IBAMA), Regional Council of Engineering and Agronomy (CREA) and the Civil and Federal Police.

The requirements of these agencies cover both BW Offshore's onshore and offshore operations, including labour and employment of staff, training and competency of the workforce, safety of workers (including during installations), occupational health on-board the vessels, incident investigations of occupational accidents and illnesses, Personal Protective Equipment (PPE) requirements and equipment safety. Other regulations also deal with potential risks within the working environment, chemical management, waste management and fire protection.

With respect to specific environmental regulations, the IBAMA is the supervisory authority linked directly to Brazilian Environment Ministry and has the mission of protecting the environment and assure the sustainability on the use of

natural resources. BW Offshore is regularly audited by IBAMA for compliance related to, amongst others, discharges to sea and waste management.

As an operator, BW Offshore interacts with its clients with respect to the implementation of the requirements of the ANP on its units. In particular, the ANP-43 regulation imposes requirements and guidelines for the implementation and operation of an Operational Safety Management System (SGSO) to assure the operational safety of drilling and production maritime installations for Oil and Gas production, in order to protect human life and environment, through the effective implementation of 17 management practices. In addition, BW Offshore complies with the requirements for the metering systems (operational meters, custody meters and fiscal meters) imposed by INMETRO and ANP.

### ***United Kingdom (UK)***

The main regulation governing safety case in the UK is the Offshore Installations (Offshore Safety Directive) (Safety Case, etc.). Regulations which aims to reduce risks from major accident events affecting health and safety of the workforce on offshore installations. It also aims to increase protection of the marine environment and coastal economies against pollution and ensure improved response mechanisms in the event of such an incident. The regulations require the provision and implementation of, amongst others, Corporate Major Accident Prevention Policy (CMAPP), Safety and Environmental Management System (SEMS), schemes for verification and well-examination, safety case, Management and control of Major Accident Hazards (MAH) and internal emergency response procedures.

Other regulations that BW Offshore comply with are: Pipelines Safety Regulations, Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations, Offshore Chemicals Regulations, Ozone-Depleting Substances Regulations and Greenhouse Gas Emissions Trading Scheme Regulations.

### ***United States of America (U.S.)***

The main government agencies that affect BW Offshore's operations in the U.S. are: U.S. Environmental Protection Agency (EPA), United States Coast Guard (USCG) and Bureau of Safety and Environmental Enforcement (BSEE). All leasing and operations on the Outer Continental Shelf (OCS) are governed by laws and regulations to ensure safe operations and preservation of the environment. BSEE enforces these regulations and periodically updates rules to reflect changes in technology and new information. BW Offshore and its client work together to comply with the relevant BSEE regulations.

In addition, BW Offshore is required to obtain applicable permits for its operations related to the National Pollutant Discharge Elimination System (NPDES), which is administered by the EPA in connection with the Clean Water Act, and which regulates the discharge of "pollutants" into "water[s] of the United States". The USCG also imposes requirements through code of federal regulations (CFRs) for, in general, operations, oil spill preventions and response. Compliance by BW Offshore units is addressed in the BW Offshore Management System, Operational Procedures, Waste Management Plan and Emergency Evacuation Plan.

### ***Mexico***

BW Offshore complies with, amongst others, the local Law for National Waters related to discharge to the sea, and has the requisite clean industry certificates required for its operations in Mexico. In addition, BW Offshore is required to update its documents annually and present an Annual Operation Report to the Ministry of the Environment and Natural Resources.

### ***Mauritania***

BW Offshore complies with, amongst others, the Central Environment code, which requires it to maintain the environmental management plan, and oil spill contingency plan that identifies measures required to manage and minimize any adverse environmental effects.

### ***New Zealand***

The main regulation governing safety case in New Zealand is the Health and Safety in Employment (Petroleum Exploration and Extraction) Regulations 2013, which requires a formal safety assessment of the installation for all major accident hazards, control measures taken to reduce risks and the performance standards of the control measures. Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 and Marine Protection Rules Part 131: Offshore Installations are in place to promote the sustainable management of the natural resources, regulate or prohibit the discharge of harmful substances and the dumping or incineration of waste and support an efficient and effective response to an oil spill. BW Offshore and its client work together to comply with the relevant regulations.

**Nigeria**

The Department of Petroleum Resources (DPR), Nigeria is the main petroleum regulatory agency of Nigeria. The Environmental Guidelines and Standards for the Petroleum Industries in Nigeria (2002) lay down monitoring programmes to determine the efficiency of air pollutant emissions, produced water, oily and sanitary waste waters. BW Offshore's units maintain compliance to requirements and are periodically audited by the DPR.

**Ivory Coast**

The Environment Act, Water Law and National Decree 97-678 (Protections of marine & lagoon environment) establishes basic principles for managing, protecting the environment and water resources against all forms of degradation. BW Offshore has been issued with permits that set conditions for quality of produced water discharges, wastewater discharges, and air emissions due to gas flaring and solid waste. BW Offshore's unit operating offshore Ivory Coast is subject to regular environmental audits.

**Indonesia**

The main government agencies that affect BW Offshore's operations in Indonesia are Indonesian Flag state (SEACOM), Directorate General of Oil and Gas (MIGAS), Department of Manpower (DEPNAKER), Institutional Ministry of Environment (KLH). The requirements of these agencies cover air & water pollution prevention, structural and equipment integrity, work safety inspections, industrial hygiene requirements, maritime security safety of workers, occupational health on-board the vessels, incident investigations of occupational accidents and illnesses.

**8.12.4 IMO conventions**

The International Maritime Organisation (IMO) has adopted several international conventions that regulate the international shipping industry. These regulations have been adopted by many nations, including most of the jurisdictions in which the BW Offshore units operate. The majority of conventions adopted under the auspices of IMO fall into three main categories. The first category is concerned with maritime safety; the second with the prevention of marine pollution; and the third with liability and compensation, especially in relation to damage caused by pollution.

The IMO conventions that BW Offshore demonstrates compliance to are: Maritime Safety related ISM Code (Safety) and ISPS (Security) Code under SOLAS. ISM Code is to provide an international standard for the safe management and operation of ships and for pollution prevention while ISPS code sets measures to enhance the security of ships. These codes are not a mandatory requirement for offshore units (i.e. FPSOs); however, BW Offshore has voluntarily applied for ISM & ISPS certifications to further enhance the safety & security standards of its offshore units.

The annexes in MARPOL lay down requirements for preventing pollution by oil and oily water, sewage, garbage and air pollution. BW Offshore utilizes its internal management system and operating procedures to demonstrate compliance.

As for the category relating to liability and compensation, the related IMO conventions complied with by BW Offshore are: the Civil Liability for Oil Pollution Damage (CLC), and the Civil Liability for Bunker Oil Pollution Damage (Bunker) by maintaining compulsory insurance against any liability due to oil pollution. The International Convention on the Control of Harmful Anti-fouling Systems on Ships prohibits the use of harmful organotin in anti-fouling paints used on ships. The BW Offshore units undergoing re-coatings and new projects in yards use paints that comply with these requirements.

**8.12.5 ISO/OSHAS STANDARDS**

The ISO (International Organization for Standardization) is an independent, non-governmental international organization with a membership of 161 national standards bodies and 3368 technical bodies to take care of standard development. ISO International Standards ensure that products and services are safe, reliable and of good quality. BW Offshore is certified to two ISO standards - ISO 9001:2008 and ISO 14001:2004.

ISO 9001:2008 is a Quality Management System (QMS) Standard. BW Offshore's process-based QMS enables the organization to identify measure, control and improve the various core business processes that ultimately lead to improved business performance. ISO 14001:2004 is an Environment Management System (EMS) standard. The operational activities undertaken by both BWO offshore units and onshore offices undergo environmental aspects and impacts identification process and their controls are considered when setting its environmental objectives. The Quality and Environmental Policy is an integral part of the overall BW Offshore HSE Policy.

OHSAS 18001 is an internationally applied standard for Occupation Health and Safety management systems. BW Offshore is certified to OHSAS 18001:2007. BW Offshore's Management System lays down procedures that promote a

safe and healthy working environment and control for both occupational health and safety risks for offshore and onshore locations.

### **8.13 Insurance**

On a fleet wide basis, BW Offshore takes out insurance cover for its crew and support staff, pollution and clean up, damage to vessels, third party liabilities and on some units' loss of income. The insurance also covers losses resulting from acts of war and terrorism. Cover for oil pollution and oil pollution caused by war and war-like actions are limited per incident. The Company considers the Group to be adequately covered with regard to the nature of business activities of the Group and the related risks in the context of available insurance offerings and premiums. The Management regularly reviews the adequacy of the insurance coverage. However, the Group's insurance does not fully cover the extent of the Group's liabilities (contractual or under law), and no assurance can be given that the Group will not incur any damages that are not covered by its insurance policies or that exceed the coverage limits of such insurance policies.

### **8.14 Health, safety and environmental matters**

Health, safety, security, environment and quality ("HSSEQ") have the highest priority in all parts of the Group. BW Offshore's management has established policies for safety, security, occupational health and environmental management, which together define the BW Offshore management system. Measurable targets are defined for each onshore and offshore unit to ensure compliance with the adopted policies and to maintain a continuous improvement cycle. Personnel training and familiarisation with the said policies is recognised as being fundamental to achieving HSSEQ culture of the highest standard and to minimise risks.

On 11 February 2015, an explosion occurred on board the FPSO Cidade de São Mateus, which resulted in nine fatalities and 26 injuries. A joint investigation team consisting of Petrobras and BW Offshore personnel with support from DNV and Gexcon was established in the aftermath of the accident. As the investigation progressed, BW Offshore issued a set of twelve actions to all operational units. The first Incident Investigation report was issued by the Petrobras and BW Offshore joint investigation teams in April 2015. This resulted in a set of additional 34 actions that have been implemented on operational units and for the Catcher project. Extensive efforts have been made to share lessons learned from the joint investigation report with internal and external stakeholders including, but not limited to, BW Offshore employees, existing clients, oil companies, regulatory authorities and other FPSO contractors.

BW Offshore's management systems address HSSEQ in detail, are compliant with, and certified pursuant to the International Safety Management (ISM) code for the safe operation of ships and for pollution prevention. BW Offshore's FPSOs are certified in accordance with the requirements of the International Ship and Port Facility Security (ISPS) code. In addition, BW Offshore is certified to the following international HSSEQ standards:

- ISO 9001 - Quality Management
- ISO 14001 - Environmental Management
- OHSAS 18001 - Occupational Health and Safety Management
- ISM Code - Safety Management and Pollution prevention

BW Offshore follows the oil companies International Marine Forum (OCIMF) guidelines for reporting marine incidents: Lost Time Injury (LTI): an injury in the workplace which means the injured person is unable to resume their normal duties on the next or subsequent shifts. Total Recordable Injuries (TRI): the sum of lost time injuries, restricted work cases and medical treatment cases. Total LTI-rate (injuries per million man-hours) and total TRI-rate (injuries per million man-hours) for BW Offshore in 2015 were 1.8 and 3.5, respectively. The comparable rates for 2014 were 0.6 and 2.8.

The Group's activities are subject to environmental regulations pursuant to a variety of international conventions and national, state and municipal laws and regulations, which the Group is committed to uphold, and where appropriate, exceed.

BW Offshore had no significant harmful environmental spills during 2015.

### **8.15 Dependency on contracts, patents, licenses etc**

The Group's operations and financial performance are dependent on its contracts with clients, suppliers, subcontractors and employees, all in the ordinary course of business. It is the Company's opinion that the Group's

existing business or profitability is not dependent upon any particular contract. Nonetheless, the contract entered into with Premier Oil (as described in Section 8.6 "Construction projects") and the fulfilment of Premier Oil's obligations on the contract when the operating lease commences, is material to the Group's future business and profitability. It is further the opinion of the Company that the Group's existing business or profitability is not dependent on any patents or licenses.

#### **8.16 Research and development**

The Group is not involved in any material research and development activities.

## 9 CAPITALISATION AND INDEBTEDNESS

The information presented below should be read in conjunction with the other parts of this Prospectus, in particular Section 10 "Selected financial and other information" and Section 11 "Operating and financial review", and the Financial Statements and the Interim Financial Statements and related notes, incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

### 9.1 Introduction

This Section provides information about the Group's unaudited capitalisation and net financial indebtedness on an actual basis as at 31 March 2016 and, in the "As adjusted 31 March 2016" columns, the Group's unaudited capitalisation and net financial indebtedness as at 31 March 2016 on an adjusted basis to give effect to the Rights Issue and the 2016 Financial Plan. Other than the Rights Issue and the 2016 Financial Plan, there has been no material change to the Group's capitalisation and net financial indebtedness since 31 March 2016. For further details regarding the Rights Issue and the 2016 Financial Plan, see Section 18 "The terms of the Rights Issue" and Section 13 "The 2016 Financial Plan", respectively.

### 9.2 Capitalisation

<i>In USD million</i>	<b>As at 31 March 2016</b>	<b>Adjustment for the Rights Issue</b>	<b>Adjustment for the 2016 Financial Plan</b>	<b>As adjusted 31 March 2016</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Indebtedness</b>				
<i>Total current debt:</i>				
Guaranteed and secured <sup>1</sup> .....	276.6	0	(57.3)	219.4
Unguaranteed/unsecured.....	371.5	0	(43.6)	327.9
<i>Total non-current debt:</i>				
Guaranteed and secured <sup>1</sup> .....	1,146.4	0	57.3	1,203.7
Unguaranteed/unsecured.....	644.5	0	43.6	688.1
<b>Total indebtedness .....</b>	<b>2,439.0</b>	<b>0</b>	<b>0</b>	<b>2,439.0</b>
<b>Shareholders' equity</b>				
Share capital.....	6.9	85.6	0	92.5
Share premium .....	1,085.0	11.9	0	1,096.9
Other equity.....	(143.2)	0	0	143.2
Non-controlling interests.....	0	0	0	0
<b>Total shareholders' equity .....</b>	<b>948.7</b>	<b>97.5</b>	<b>0</b>	<b>1,046.2</b>
<b>Total capitalisation .....</b>	<b>3,387.7</b>	<b>97.5<sup>2</sup></b>	<b>0</b>	<b>3,485.2</b>

1 See Section 11.6 "Borrowings and other contractual obligations" for a description of the guarantees and the assets secured.

2 Effects from the Rights Issue have been adjusted with estimated costs to be incurred for the Rights Issue.

### 9.3 Net financial indebtedness

<i>In USD million</i>	<b>As at 31 March 2016</b>	<b>Adjustment for the Rights Issue</b>	<b>Adjustment for the 2016 Financial Plan</b>	<b>As adjusted 31 March 2016</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Net indebtedness				
(A) Cash .....	109.9	97.5	0	207.4
(B) Cash equivalents.....	0	0	0	0
(C) Interest bearing receivables .....	0	0	0	0
<b>(D) Liquidity (A)+(B)+(C) .....</b>	<b>109.9</b>	<b>97.5</b>	<b>0</b>	<b>207.4</b>
<b>(E) Current financial receivables .....</b>	<b>200.3</b>	<b>0</b>	<b>0</b>	<b>200.3</b>
(F) Current bank debt .....	276.6	0	(57.3)	219.3
(G) Current portion of non-current debt.....	59.6	0	(43.6)	16.0
(H) Other current financial debt.....	311.9	0	0	311.9
<b>(I) Current financial debt (F)+(G)+(H) .....</b>	<b>648.1</b>	<b>0</b>	<b>(100.8)</b>	<b>547.3</b>

<i>In USD million</i>	<b>As at 31 March 2016</b>	<b>Adjustment for the Rights Issue</b>	<b>Adjustment for the 2016 Financial Plan</b>	<b>As adjusted 31 March 2016</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>(J) Net current financial indebtedness (I)- (E)-(D) .....</b>	<b>337.9</b>	<b>(97.5)</b>	<b>(100.8)</b>	<b>139.6</b>
(K) Non-current bank loans.....	1,146.4	0	57.3	1,203.7
(L) Bonds issued.....	258.6	0	43.6	302.2
(M) Other non-current debt.....	385.9	0	0	385.9
<b>(N) Non-current financial indebtedness (K)+(L)+(M).....</b>	<b>1,790.9</b>	<b>0</b>	<b>100.8</b>	<b>1,891.7</b>
<b>(O) Net financial indebtedness (J)+(N) .....</b>	<b>2,128.8</b>	<b>0</b>	<b>0</b>	<b>2,031.3</b>

#### **9.4 Working capital statement**

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

#### **9.5 Contingent and indirect indebtedness**

As at 31 March 2016 and as at the date of the Prospectus, the Group did not have any contingent or indirect indebtedness.

## 10 SELECTED FINANCIAL AND OTHER INFORMATION

### 10.1 Introduction and basis for preparation

The following selected financial information has been derived from the Company's unaudited consolidated interim financial statements as at, and for the three month periods ended, 31 March 2016 and 2015 (the Interim Financial Statements) and the Company's audited consolidated financial statements as at, and for the years ended, 31 December 2015, 2014 and 2013 (the Financial Statements). The Financial Statements have been prepared in accordance with IFRS, while the Interim Financial Statements have been prepared in accordance with IAS 34.

The selected financial information included herein should be read in connection with, and is qualified in its entirety by reference to the Financial Information incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

### 10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, see notes 2 and 3 of the Financial Statements as at, and for the year ended, 31 December 2015, incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

### 10.3 Selected statement of income

The table below sets out selected data from the Company's unaudited consolidated interim income statement and statement of comprehensive income for the three month periods ended 31 March 2016 and 2015 and from the Company's audited consolidated statements of income and consolidated statements of comprehensive income for the years ended 31 December 2015, 2014 and 2013.

<i>In USD million</i>	Three months ended		Year ended			
	31 March		31 December			
	2016	2015	2015	2014	Restated 2013	2013
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i> <sup>2</sup>	<i>(audited)</i> <sup>1</sup>	<i>(audited)</i>
Charter hire .....	163.6	209.7	791.7	1,022.9	901.7	927.9
Construction contract revenue.....	-	-	-	-	23.0	23.0
Lease interest .....	2.4	3.4	13.6	14.6	15.9	15.9
Other income .....	48.4	23.7	302.7	32.9	15.6	15.6
<b>Total revenues .....</b>	<b>214.4</b>	<b>236.8</b>	<b>1,108.0</b>	<b>1,070.4</b>	<b>956.2</b>	<b>982.4</b>
<b>Operating expenses</b>						
Operating expenses vessels .....	(113.2)	(104.8)	(493.2)	(466.9)	(389.2)	(400.4)
Construction contract expenses .....	-	-	-	-	(42.8)	(42.8)
Currency hedges and other currency effects.....	-	-	-	-	(5.1)	(4.8)
Other expenses .....	(2.2)	(26.6)	(31.2)	(36.6)	(28.2)	(28.2)
Administrative expenses .....	(1.7)	(12.3)	(46.3)	(61.2)	(59.5)	(59.5)
<b>Total expenses.....</b>	<b>(117.1)</b>	<b>(143.7)</b>	<b>(570.6)</b>	<b>(564.7)</b>	<b>(524.8)</b>	<b>(535.7)</b>
Share of profit/(loss) of associated companies .....	0.1	0.1	0.4	21.8	11.7	0.7
Operating profit before depreciation, amortisation and sale of assets.....	97.4	93.2	537.8	527.5	443.1	447.4
Depreciation and amortisation .....	(60.4)	(58.0)	(262.5)	(223.0)	(263.9)	(265.7)
Impairment.....	(0.8)	-	(396.4)	-	-	-
Net gain/(loss) on sale of tangible fixed assets.....	0.0	1.5	1.4	0.2	(0.3)	(0.3)
<b>Operating profit.....</b>	<b>36.2</b>	<b>36.7</b>	<b>(119.7)</b>	<b>304.7</b>	<b>178.9</b>	<b>181.4</b>
<b>Financial income and financial expense</b>						
Interest income .....	0.5	1.3	2.8	2.1	2.4	2.4
Fair value gain/(loss) on financial instruments .....	(3.9)	(10.2)	(9.8)	(7.1)	3.7	3.7
Net currency gain/(loss) .....	(13.7)	0.9	3.9	(3.8)	-	-
Interest expense .....	(11.6)	(13.2)	(49.6)	(65.1)	(63.1)	(63.1)
Other financial items .....	(0.7)	(0.7)	(3.4)	(5.4)	(4.4)	(4.4)
<b>Net financial expenses.....</b>	<b>(29.4)</b>	<b>(21.9)</b>	<b>(56.1)</b>	<b>(79.3)</b>	<b>(61.4)</b>	<b>(61.4)</b>

In USD million	Three months ended 31 March		Year ended 31 December			
	2016	2015	2015	2014	Restated 2013	2013
	(unaudited)	(unaudited)	(audited)	(audited) <sup>2</sup>	(audited) <sup>1</sup>	(audited)
<b>Profit/(loss) before tax .....</b>	<b>6.8</b>	<b>14.8</b>	<b>(175.8)</b>	<b>225.4</b>	<b>117.5</b>	<b>120.0</b>
Income tax expense.....	(9.7)	(9.0)	(40.5)	(38.2)	(36.1)	(36.4)
<b>Net profit/(loss) for the year from continued operations.....</b>	<b>(2.9)</b>	<b>5.8</b>	<b>(216.3)</b>	<b>187.2</b>	<b>81.4</b>	<b>83.6</b>
Net profit/(loss) for the year .....	(2.9)	5.8	(216.3)	187.2	81.4	83.6
Profit/(loss) attributable to shareholders of the parent .....	(2.9)	5.8	(216.3)	187.2	81.4	83.6
Basic/diluted earnings/(loss) per share net.....	(0.00)	(0.01)	(0.31)	0.27	0.12	0.12
Profit/(loss) for the year .....	(2.9)	5.8	(216.3)	187.2	81.4	83.6
<b>Other comprehensive income</b>						
<i>Items to be reclassified to profit or loss:</i>						
Currency translation differences .....	0.5	(4.4)	(6.9)	(4.2)	(5.0)	(5.0)
Cash flow hedges.....	29.0	(20.3)	(49.3)	(82.4)	(12.5)	(12.6)
Reclassifications during the year to profit/(loss) of cash flow hedges .....	(21.7)	16.9	50.9	65.9	-	-
<b>Net items to be reclassified to profit or loss .....</b>	<b>7.8</b>	<b>(7.8)</b>	<b>(5.3)</b>	<b>(20.7)</b>	<b>(17.5)</b>	<b>(17.6)</b>
<i>Items not to be reclassified to profit or loss:</i>						
Actuarial gains/(losses) on defined benefit plans .....	(0.5)	0.0	1.6	(10.2)	(3.8)	(3.8)
<b>Net items not to be reclassified to profit or loss .....</b>	<b>(0.5)</b>	<b>0.0</b>	<b>1.6</b>	<b>(10.2)</b>	<b>(3.8)</b>	<b>(3.8)</b>
<b>Other comprehensive income, net of tax .....</b>	<b>7.3</b>	<b>(7.8)</b>	<b>(3.7)</b>	<b>(30.9)</b>	<b>(21.3)</b>	<b>(21.4)</b>
<b>Total comprehensive income for the period .....</b>	<b>4.4</b>	<b>(2.0)</b>	<b>(220.0)</b>	<b>156.3</b>	<b>60.1</b>	<b>62.2</b>
Attributable to:						
Equity holders of the parent .....			(220.0)	156.3	60.1	62.2
Non-controlling interest .....			-	-	-	-

1 Effective from 1 January 2014, the Group changed its accounting of jointly controlled companies to the equity method, based on the implementation of IFRS 11. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead JCEs that meet the definition of a joint venture must be accounted for using the equity method. Instead of consolidating the assets, liabilities, revenues and expenses, the Group will present its share of result from joint ventures on one line as revenues from joint ventures. The Group has considered the shareholding in LLC "Oil Terminal Belokamenka" as a joint venture, and have accounted for its shareholding according to the equity method. The change is applied retrospectively.

2 The financial information for 2014 has been restated with USD 7.2 million as the Group has reclassified currency hedges to gain/(loss) financial instruments effective from 1 January 2015, as effects from gains or losses from currency hedges are a result of changes in exchange rates over a period of time rather than a result of operational performance.

#### 10.4 Selected statement of financial position

The table below sets out selected data from the Company's unaudited consolidated interim statement of financial position as at 31 March 2016 and 2015 and from the Company's audited consolidated statement of financial position as at 31 December 2015, 2014 and 2013.

In USD million	As at 31 March		As at 31 December			
	2016	2015	2015	2014	Restated 2013	2013
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)	(audited)
<b>Assets</b>						
Vessels.....	2,723.8	2,705.9	2,694.1	2,747.7	2,509.9	2,537.5
Property and other equipment.....	11.0	11.3	12.0	12.2	12.4	13.0
Goodwill .....	0	186.9	-	186.9	186.9	186.9

<i>In USD million</i>	<b>As at 31 March</b>		<b>As at 31 December</b>			
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>Restated 2013</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Other intangible assets .....	4.3	4.5	4.4	4.2	2.9	2.9
Finance lease receivable .....	109.3	136.3	113.5	140.9	158.2	158.2
Investments in associates and joint ventures .....	7.8	4.7	7.7	4.7	42.2	4.6
Deferred tax assets .....	4.1	4.5	4.2	4.6	2.0	2.1
Derivatives .....	0.6	0.3	0.6	1.1	2.0	2.0
Other non-current assets .....	3.0	6.6	3.3	14.1	2.0	3.5
<b>Total non-current assets .....</b>	<b>2,863.9</b>	<b>3,061.0</b>	<b>2,839.8</b>	<b>3,116.4</b>	<b>2,918.5</b>	<b>2,910.7</b>
Inventory .....	8.0	6.6	6.7	6.6	6.5	6.7
Trade and other receivables .....	387.9	301.8	455.3	307.1	267.1	285.8
Finance lease receivable .....	16.4	17.8	16.1	17.4	15.9	15.9
Derivatives .....	1.6	-	-	6.0	-	-
Cash and deposits .....	109.9	151.3	121.8	215.4	132.4	135.5
<b>Total current assets .....</b>	<b>523.8</b>	<b>477.5</b>	<b>599.9</b>	<b>552.5</b>	<b>421.9</b>	<b>443.9</b>
<b>Total assets .....</b>	<b>3,387.7</b>	<b>3,538.5</b>	<b>3,439.7</b>	<b>3,668.9</b>	<b>3,340.4</b>	<b>3,354.6</b>
<b>Equity</b>						
Share capital .....	6.9	6.9	6.9	6.9	6.9	6.9
Share premium .....	1,085.0	1,085.0	1,085.0	1,085.0	1,085.0	1,085.0
Other equity .....	(143.2)	90.7	(147.5)	106.2	32.2	32.2
<b>Total shareholder's equity .....</b>	<b>948.7</b>	<b>1,182.6</b>	<b>944.4</b>	<b>1,198.1</b>	<b>1,124.1</b>	<b>1,124.1</b>
Long-term loan facilities .....	1,405.0	1,380.0	1,460.8	1,433.7	1,459.3	1,459.3
Retirement benefit obligations .....	12.3	15.3	12.1	14.3	6.8	6.8
Deferred tax liabilities .....	3.4	0.6	3.3	0.6	0.2	0.2
Other non-current liabilities .....	266.4	234.7	261.8	218.7	202.7	202.7
Derivatives .....	103.8	127.0	148.9	100.4	44.4	44.4
<b>Total non-current liabilities .....</b>	<b>1,790.9</b>	<b>1,757.6</b>	<b>1,886.9</b>	<b>1,767.7</b>	<b>1,713.4</b>	<b>1,713.4</b>
Trade and other payables .....	242.4	213.0	275.9	263.0	176.1	190.1
Derivatives .....	45.5	35.1	27.5	33.1	5.7	5.7
Interest-bearing short-term debt .....	336.2	313.5	280.7	371.4	290.1	290.1
Income tax liabilities .....	24.0	36.7	24.3	35.6	31.0	31.2
<b>Total current liabilities .....</b>	<b>648.1</b>	<b>598.3</b>	<b>608.4</b>	<b>703.1</b>	<b>502.9</b>	<b>517.1</b>
<b>Total liabilities .....</b>	<b>2,439.0</b>	<b>2,355.9</b>	<b>2,495.3</b>	<b>2,470.8</b>	<b>2,216.3</b>	<b>2,230.5</b>
<b>Total equity and liabilities .....</b>	<b>3,387.7</b>	<b>3,538.5</b>	<b>3,439.7</b>	<b>3,668.9</b>	<b>3,340.4</b>	<b>3,354.6</b>

1 See note 1 to the selected statement of income included in Section 10.3 "Selected statement of income".

### 10.5 Selected statement of cash flow

The table below sets out selected data from the Company's unaudited consolidated interim statement of cash flows for the three month periods ended 31 March 2016 and 2015 and from the Company's audited consolidated statement of cash flows for the years ended 31 December 2015, 2014 and 2013.

<i>In USD million</i>	<b>Three months ended 31 March</b>		<b>Year ended 31 December</b>			
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>Restated 2013</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Operating activities</b>						
Profit/(loss) before tax .....	6.8	14.8	(175.8)	225.4	117.5	120.0
Income tax paid .....	(9.4)	(7.8)	(35.7)	(35.8)	(24.6)	(26.3)
Loss/(gain) on disposal of fixed assets .....	(0.0)	(1.5)	(1.4)	(0.2)	0.3	0.3

<i>In USD million</i>	<b>Three months ended 31 March</b>		<b>Year ended 31 December</b>			
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>Restated 2013</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Fair value change on financial instruments .....	6.1	10.2	9.8	14.4	(3.7)	(3.7)
Share of loss/(profit) of associated companies .....	(0.1)	(0.1)	(0.4)	(21.8)	(11.8)	(0.7)
Currency exchange differences .....	13.7	(0.9)	(3.9)	3.8	5.1	4.8
Depreciation and amortisation .....	60.4	57.9	262.5	223.0	263.9	265.7
Impairment.....	0.8	0.0	396.4	-	-	-
Add back of net interest lease .....	11.1	11.9	46.8	62.9	60.7	60.7
Instalment on financial lease.....	4.2	4.6	18.7	17.4	15.9	15.9
Other changes.....	(8.3)	13.0	1.6	(1.4)	(6.0)	(8.7)
Changes in working capital .....	37.2	(21.5)	(80.2)	61.2	(97.8)	(101.4)
<b>Net cash flows from operating activities .....</b>	<b>122.5</b>	<b>80.6</b>	<b>438.4</b>	<b>548.9</b>	<b>319.5</b>	<b>326.6</b>
<b>Investing activities</b>						
Investments in fixed assets.....	(89.7)	(99.9)	(481.8)	(364.9)	(102.6)	(110.5)
Proceeds from disposal of fixed assets .....	0.0	85.5	85.5	0.2	0.3	0.3
Investment in associates, net of cash acquired.....	0.0	0.0	(2.7)	(57.1)	-	-
Interest received .....	0.5	1.3	2.8	2.1	2.4	2.4
<b>Net cash flows used in investing activities .....</b>	<b>(89.2)</b>	<b>(13.2)</b>	<b>(396.2)</b>	<b>(419.7)</b>	<b>(99.9)</b>	<b>(107.8)</b>
<b>Financing activities</b>						
Proceeds from new interest-bearing debt.....	159.0	200.0	548.0	633.0	486.8	486.8
Repayment of long-term debt.....	(182.8)	(295.1)	(563.8)	(508.0)	(518.6)	(518.6)
Dividend paid .....	0.0	(13.7)	(34.3)	(82.2)	(68.5)	(68.5)
Interest paid .....	(21.4)	(22.7)	(85.7)	(89.0)	(84.9)	(84.9)
<b>Net cash flows from/(used in) financing activities .....</b>	<b>(45.1)</b>	<b>(131.5)</b>	<b>(135.8)</b>	<b>(46.2)</b>	<b>(185.2)</b>	<b>(185.2)</b>
Net change in cash and cash equivalents .....	(11.9)	(64.1)	(93.6)	83.0	34.4	33.6
Cash and cash equivalents at beginning of the period.....	121.8	215.4	215.4	132.4	98.0	101.9
<b>Cash and cash equivalents at end of the period .....</b>	<b>109.9</b>	<b>151.3</b>	<b>121.8</b>	<b>215.4</b>	<b>132.4</b>	<b>135.5</b>

1 See note 1 to the selected statement of income included in Section 10.3 "Selected statement of income".

## 10.6 Selected statement of changes in equity

The table below sets out selected data from the Company's unaudited consolidated statement of changes in equity for the three month periods ended 31 March 2016 and 2015 and from the Company's audited consolidated statement of changes in equity for the years ended 31 December 2015, 2014 and 2013.

<i>In USD million</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Currency translation reserves</b>	<b>Cash flow hedges</b>	<b>Other elements</b>	<b>Total</b>
<b>At 1 January 2013.....</b>	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>0.8</b>	<b>(3.7)</b>	<b>50.5</b>	<b>1,130.4</b>
Dividend distribution .....	-	-	-	-	-	(68.5)	(68.5)
Profit/(loss) for the period.....	-	-	-	-	-	83.6	83.6
Other comprehensive income .....	-	-	-	(5.0)	(12.6)	(3.8)	(21.4)
<b>At 31 December 2013 .....</b>	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>(4.2)</b>	<b>(16.3)</b>	<b>61.8</b>	<b>1,124.1</b>
<b>At 1 January 2013<sup>1</sup> .....</b>	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>0.8</b>	<b>(3.7)</b>	<b>52.7</b>	<b>1,132.6</b>
Dividend distribution <sup>1</sup> .....	-	-	-	-	-	(68.5)	(68.5)
Profit/(loss) for the period <sup>1</sup> .....	-	-	-	-	-	81.4	81.4
Other comprehensive income <sup>1</sup> .....	-	-	-	(5.0)	(12.5)	(3.8)	(21.3)

<i>In USD million</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Currency translation reserves</b>	<b>Cash flow hedges</b>	<b>Other elements</b>	<b>Total</b>
<b>At 31 December 2013</b> <sup>1</sup> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>(4.2)</b>	<b>(16.3)</b>	<b>61.8</b>	<b>1,124.1</b>
<b>At 1 January 2014</b> <sup>1</sup> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>(4.2)</b>	<b>(16.3)</b>	<b>61.8</b>	<b>1,124.1</b>
Dividend distribution .....	-	-	-	-	-	(82.2)	(82.2)
Profit/(loss) for the period .....	-	-	-	-	-	187.2	187.2
Other comprehensive income .....	-	-	-	(4.2)	(16.5)	(10.2)	(30.9)
<b>At 31 December 2014</b> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>(8.4)</b>	<b>(32.8)</b>	<b>156.6</b>	<b>1,198.1</b>
<b>At 1 January 2015</b> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.1)</b>	<b>(8.4)</b>	<b>(32.8)</b>	<b>156.6</b>	<b>1,198.1</b>
Dividend distribution .....	-	-	-	-	-	(34.3)	(34.3)
Share-based payments .....	-	-	0.1	-	-	0.4	0.5
Profit/(loss) for the period .....	-	-	-	-	-	(216.3)	(216.3)
Other comprehensive income .....	-	-	-	(6.9)	1.6	1.6	(3.7)
<b>At 31 December 2015</b> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.0)</b>	<b>(15.3)</b>	<b>(31.2)</b>	<b>(92.0)</b>	<b>944.4</b>
<b>At 1 January 2016</b> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.0)</b>	<b>(15.3)</b>	<b>(31.2)</b>	<b>(92.0)</b>	<b>944.4</b>
Dividend distribution .....	-	-	-	-	-	-	-
Share-based payments .....	-	-	-	-	-	(0.1)	(0.1)
Profit/(loss) for the period .....	-	-	-	-	-	(2.9)	(2.9)
Other comprehensive income .....	-	-	-	0.5	7.3	(0.5)	7.3
<b>At 31 March 2016</b> .....	<b>6.9</b>	<b>1,085.0</b>	<b>(9.0)</b>	<b>(14.8)</b>	<b>(23.9)</b>	<b>(95.5)</b>	<b>948.7</b>

<sup>1</sup> See note 1 to the selected statement of income included in Section 10.3 "Selected statement of income".

## 10.7 Sales revenues by geographic area

The table below sets out the Group's sales revenues by geographic area (determined by the final destination of the FPSO/FSO) for the stated periods.

<i>In USD million</i>	<b>Three months ended 31 March</b>			<b>Year ended 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>Restated 2013</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i> <sup>1</sup>	<i>(audited)</i>
Americas .....	108.5	86.1	575.3	408.8	420.5	420.5
Europe/Africa .....	80.1	123.7	422.3	551.2	408.7	434.9
Asia and the Pacific .....	25.8	27.1	110.3	110.4	127.0	127.0
<b>Total revenues</b> .....	<b>214.4</b>	<b>236.8</b>	<b>1,108.0</b>	<b>1,070.4</b>	<b>956.2</b>	<b>982.4</b>

<sup>1</sup> See note 1 to the selected statement of income included in Section 10.3 "Selected statement of income".

## 10.8 Auditor

The Company's auditor is Ernst & Young AS with registration number 976 389 387. The partners of Ernst & Young AS are members of The Norwegian Institute of Public Accountants (*Nw.: Den Norske Revisorforeningen*). The address of Ernst & Young AS is Dronning Eufemias gate 6, Oslo Atrium, P.O. Box 20, N-0051 Oslo, Norway. Ernst & Young AS has been the Company's auditor since 2012. The Financial Statements for the years ended 31 December 2015, 2014 and 2013 have been audited by Ernst & Young AS, and the auditor's report is included together with the Financial Statements as incorporated hereto, see Section 20.3 "Incorporation by reference". Ernst & Young AS has not audited, reviewed or produced any report on any other information provided in this Prospectus.

## 11 OPERATING AND FINANCIAL REVIEW

*This operating and financial review should be read together with Section 10 "Selected financial and other information" and the Financial Statements and Interim Financial Statements and related notes incorporated by reference hereto, see Section 20.3 "Incorporation by reference". The following discussion contains forward-looking statements. These forward-looking statements are not historical facts, but are rather based on the Group's current expectations, estimates, assumptions and projections about the Group's industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in Section 2 "Risk factors" of this Prospectus and Section 4.3 "Cautionary note regarding forward-looking statements" as well as other sections of this Prospectus.*

### 11.1 Overview

#### 11.1.1 General overview

BW Offshore is one of the world's leading offshore FPSO (Floating Production, Storage and Offloading) companies (source: EMA<sup>3</sup>). The Group develops, owns, leases and operates FPSOs and FSOs (Floating Storage and Offloading units). As of the date of this Prospectus, the Group owns a fleet of 15 FPSOs (of which one is under construction) and one FSO. In addition, the Group also operates two FPSOs owned by clients.

BW Offshore's primary activity areas are lease and operation services of FPSO units, as well as engineering, procurement, construction and installation services (EPCI) associated with the investment in new units. BW Offshore has a long track record in project execution and operations. During more than 30 years of experience, BW Offshore has executed 38 FPSO and FSO projects.

BW Offshore is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa, supported by local onshore teams and an organisation with a global presence. As at the date of this Prospectus, the Group has approximately 2,000 full-time employees (not including consultants/contract staff) and offices in 17 countries around the world, providing services to the Group's operations, and the Group has units operating offshore Brazil, Gabon, Indonesia, Ivory Coast, Mauritania, Mexico, New Zealand, Nigeria, UK and U.S.

#### 11.1.2 Presentation of financial information

The Financial Statements as at, and for the years ended, 31 December 2015, 2014 and 2013 have been prepared in accordance with IFRS. The Financial Statements have been audited by Ernst & Young AS. The unaudited Interim Financial Statements as at, and for the three months ended, 31 March 2016 and 2015 have been prepared in accordance with IAS 34. The Financial Statements and the Interim Financial Statements are incorporated by reference hereto, see Section 20.3 "Incorporation by reference".

### 11.2 Recent developments and trends

Below is an overview of the developments and trends in the Group's business since 31 December 2015:

Petrobras Americas has exercised the option to extend the fixed term of the lease contract for BW Pioneer from the first quarter of 2017 to the first quarter of 2020. As part of the contract extension, the Company has agreed to certain amendments to the charter rate. BW Offshore has, during the second quarter of 2016, replaced certain wire segments in the subsea mooring system for FPSO BW Pioneer. The cost for the replacement will be partly covered by insurance. During the replacement campaign, that took less than two months, the FPSO was disconnected. By early June 2016, the unit was hooked up again and production re-commenced.

In January 2016, BW Offshore also received a one-year contract extension for the lease and operation of the FPSO Umuroa during the quarter. The firm period has been extended to the fourth quarter of 2017 (from the fourth quarter of 2016). The FPSO is operating on the Umuroa field offshore New Zealand for AWE.

FPSO BW Athena was demobilized in February and is currently in layup in Scotland. BW Athena has had an uptime of 98% since first oil in May 2012, and BW Offshore stood as duty holder for the unit. BW Athena first operated under a three-year contract, and the operation was extended with a contract with mutual termination right. BW Athena is a versatile and cost efficient floating production unit with an oil processing capacity of 28,000 barrels per day. The FPSO is now marketed for new opportunities.

<sup>3</sup> See Section 4.2.2 "Industry and market data" for further information regarding EMA.

The Catcher project remains within budget and is scheduled for first oil in the second half of 2017. BW Offshore has previously reported that hull activities have slipped due to the yard's inability to progress the hull delivery in accordance with the contractual schedule. A mitigation plan has been implemented to minimise the impact to the overall project schedule. As of the first quarter of 2016, this mitigation plan has worked well as there has been no further slippage to the expected first oil date. Hull completion and topside integration is on schedule to commence in Singapore during the third quarter of 2016 at Keppel shipyard. The STP buoy and associated mooring equipment has been completed on schedule and is underway to the UK for offshore installation in the second quarter of 2016. BW Offshore has utilised USD 404 million of the USD 800 million bank financing for the Catcher project as per 31 March 2016.

Cidade de São Mateus arrived at Keppel yard in Singapore during May 2016. The FPSO is currently undergoing inspection in collaboration with insurance loss adjusters to prepare for the repair scope.

An onshore efficiency program and reorganisation of onshore staff commenced in the first quarter of 2016. The staff reduction program is expected to reduce onshore staff by 35% and the Company's annual cost base by around USD 30 million. In addition, a best practice process has also been initiated with a target of reducing offshore personnel costs by 10-15% and offshore R&M spend by 10% through higher efficiency, renegotiated supplier agreements and subcontracts. This process will be implemented during 2016 with full effect from 2017.

The 2016 Financial Plan was launched to secure a long-term financial platform; the Company has evaluated actions to secure the financial platform until March 2020, including equity injection, amortization reliefs and maturity extensions for both bank facilities and bonds. See Section 13 "The 2016 Financial Plan" for further details on the 2016 Financial Plan.

### **11.3 Results of operations**

#### *11.3.1 Material factors affecting the Group's results*

The Group believes that the following factors have contributed significantly to the development of its business and results of operations, and believes that each may continue to have a significant effect in the future.

#### **Global demand for oil and gas**

Oil companies are the primary clients of the Group and the offshore production systems and services that the Group provides. The demand by oil companies for the Group's products and services is to a large extent driven by the worldwide demand for energy, including oil and gas, which impacts their appetite for, and their ability to fund, investment in exploration, development and production activities. High global economic growth therefore may have a positive effect on demand for the Group's products and services, and thus on its results of operations, while low global economic growth may have a similarly negative effect. 2015 was a year where market sentiment continued to worsen quarter by quarter. This led to a further drop in the oil price throughout the year, which so far reached a twelve-year low in January 2016. The current macro conditions for the offshore industry have significantly reduced expected capital expenditure by existing and potential clients.

#### **Finalisation of and contribution from FPSO BW Catcher**

On 30 April 2014, BW Offshore signed a contract with Premier Oil for a FPSO to operate on the Catcher oil field in the UK North Sea. As at 31 December 2015, the field was owned by Premier Oil (50% operator), Cairn Energy (20%), MOL (20%) and Dyas UK (10%). The firm charter period of the contract is seven years, with extension options of up to eighteen years. Based on a field life of ten years, the contract value is USD 2.3 billion. The contract is reported as an operating lease and will add significantly to the Group's EBITDA from first oil. BW Offshore has noted that Premier Oil in its latest operations update has stated that a relaxation of its main financial covenants may be required to enable them to draw on its financial facilities. Management does not expect this situation to have a negative effect on the Catcher project.

BW Offshore's scope includes the delivery of the FPSO, mooring system, installation and operation of the unit throughout the charter period. BW Offshore has ordered a new built hull from Japan for the project, while conversion and integration work will be performed in Singapore. The overall budget for the project is USD 1.2 billion, including financing costs. The project is financed by a project specific bank facility of USD 800 million in addition to BW Offshore's existing liquidity. The project remains within budget with expected first oil in second half of 2017.

#### **Accident on FPSO Cidade de São Mateus**

On 11 February 2015, an explosion occurred on board the FPSO Cidade de São Mateus, which resulted in nine fatalities

and 26 injuries. The recovery project for the FPSO Cidade de São Mateus has been ongoing since the accident that happened in February 2015. As at the date of this Prospectus, the unit is in Keppel shipyard in Singapore where inspections are ongoing in collaboration with insurance loss adjusters to determine the scope of repairs that have to be undertaken.

BW Offshore has not received charter rate since 11 February 2015 due to the accident. The unit is insured for loss of hire that did cover loss of day rates from 12 May 2015 for a period of 12 months. The Group will not receive any regular charter income on the unit from May 2016 until the unit is back on field and in operation. Before the assessment at Keppel shipyard and discussions with the client are concluded with a rectification plan, it is not clear when the unit will return to the field.

Due to insurance taken out on a fleet wide basis, the direct costs related to recovery and repair will to a large extent be covered.

The Group has significant revenue recorded for insurance reimbursement since the accident and until the first quarter of 2016. In total USD 333.8 million has been recorded for insurance reimbursement since the accident. USD 179.5 million has been received under insurance by 24 June 2016. This includes USD 90 million that is paid under the Loss of Hire insurance. Reimbursement from insurance is recorded as revenue only when it is virtually certain that insurance reimbursement will be received. Management must make assessments on the recoverability of expenses incurred, as well as to be incurred, for repairs up against insurance coverage taken out on the FPSO/FSO. Virtually certain is concluded to have been met when there are about 90-95% certainty that the insurance proceeds will be received. The assessment of 90-95% is based on discussions with insurance companies and loss adjuster, actual claims received to date and Management's best estimate.

#### **Operating lease versus EPCI contracts on the Group's capital expenditure requirements and cash flows**

The Group engages both in the operating lease and EPCI contracts driven by client request. The choice of contract type affects the Group's capital expenditure and cash flows.

Operating lease contracts provide long-term visibility of, cash flows and earnings. However, they are capital intensive, and require tight management of complex financial, operational and contractual risks. More specifically, in the construction phase of an operating lease contract, during which the Group build the relevant unit in accordance with the specifications agreed with the client in the charter contract, the Group may have to make significant investment in the unit. By contrast, EPCI contracts generate revenues, profits and cash inflows as the project progresses (i.e. during the construction phase), minimising the Group's capital expenditure requirements.

The investment in a lease and operate contract is typically financed through external debt obtained via project finance facilities from banks, bonds and equity.

In this regard, it is important to note that the choice as to whether a particular project will be undertaken as an operating lease, or as an EPC contract is driven by the client. The financial capacity of the Group combined with its assessment of the overall risk profile of each project, will determine whether the Group will pursue a prospect. The ability and willingness of the Group to obtain financing and equity, is an important factor considered in the decision on whether or not to undertake an operating lease contract.

#### **Classification of a contract as an operating or a finance lease**

The classification of a lease as a finance lease or operating lease the accounting treatment of the investments made in the relevant unit as well as revenue recognition.

In determining lease classification, the Group evaluates whether risks and rewards incidental to ownership lies with the Group or with the lessee. When the Group does not transfer all significant risks and rewards of ownership of an asset, leases are classified as operating leases. Management must make assessments with regards to overall length of the contract versus useful life, whether ownership retains with the lessor, whether there are operating requirements linked to the charter rate and so forth to decide whether the contract is an operating lease or a financial lease.

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. The present value of the lease payments will then be recognised as a financial asset in the balance sheet. Lease income as of the commencement of the lease contract is recognised as a constant periodic return on the finance lease receivable recorded in the balance sheet.

### **Imbalance in the risk/reward profile in the FPSO industry**

It has been recognised in the FPSO industry that the returns over recent years have not followed the increased size and complexity of project tenders in comparison with returns for the E&P companies and the integrated specialist equipment suppliers. The need by FPSO clients often for fit-for-purpose solutions in increasingly demanding conditions have led to requests from the Group's clients for larger, more technical and more complex FPSOs and the Group having to absorb increasing levels of risk, related to project schedule and the operations of the FPSO over the duration of the contract. The fact that FPSO owners and operators are often taking a significant residual value risk on the units, has also added to the challenge of getting sustainable returns.

### **Depreciation**

The level of depreciation depends on the estimated useful life of the different components of the assets and residual value at the end of useful life. The estimated useful life is based on experience and knowledge of the vessels owned by the Group. Management will have to make assessments as to the expected useful life of the hull and marine scope as well as the process equipment for an FPSO. Assumptions will also have to be made about the expected contract period for non-recoverable components for the assets, which can deviate significantly from the useful life of hull and process equipment.

### **Impairment**

The Group reviews periodically whether tangible assets, including FPSO and FSO related contracts, FPSOs and FSOs under construction and conversion candidates, have suffered any impairment. The recoverable amounts of each vessel, being defined as a cash-generating unit, have been determined based on value-in-use calculations. Value-in-use calculations are based on contracted cash flows and estimates of uncontracted cash flows for the useful lives of each vessel, including residual values discounted by an estimated discount rate. Assumptions on uncontracted cash flows are based on several variables, such as comparing the specifications on a particular FPSO with planned new FPSO projects around the world, assessment of investment levels to redeploy the FPSO on a new field and assumptions on rates to be achieved from redeployment.

All impairment assessment calculations demand a high degree of estimation. Management must make complex assessment of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates could have significant impact on the impairments recognised and future changes may lead to reversals of recognised impairments.

The Group has recorded an impairment of USD 160 million to reflect losses related to non-recoverable costs as well as direct damages to the FPSO Cidade de São Mateus at year end 2015. In addition, an impairment loss of USD 36 million on FPSO Azurite, USD 6.0 million on FPSO BW Athena and USD 7.3 million on FPSO Polvo was recorded. Further information is given under Section 11.3.3 "Year ended 31 December 2015 compared with year ended 31 December 2014".

### **Local content requirements**

BW Offshore is subject to local content requirements in a number of jurisdictions where vessels are operating. Local content requirements include stipulations by the government in the country on, amongst others, the number or proportion of local subcontractors and employees that the Group has to use and employ, and the proportion of raw components and materials the Group is obliged to source from the local market. The local content requirements in Brazil and West Africa have an impact on the Group as it derives a significant portion of its revenues from activities in these regions. Local content requirements can impact, and have in the past impacted the results of operations of the Group in these regions.

The ability of the Group to achieve the best price available from contractors and suppliers may be impaired where the Group is forced to use only local contractors or suppliers in order to meet the local content requirement.

By requiring that the Group use local contractors, employees and suppliers, local content requirements expose the Group to cost inflation in the country where it operates. If cost inflation exceeds that assumed in the pricing of the relevant project, the Group may incur additional cost that it may not be able to pass on to the client.

### **Availability of finance**

New operating contracts requires the arrangement of significant amounts of finance. No new lease project requiring finance is bid for or accepted by the Group without first having received positive indications of financial support. Depending on the market and the project, it can be difficult to secure long-term debt to fund construction of the

underlying unit for the operating lease. The Group also has to consider whether sufficient equity is available for the project and might have to rely on an available equity market.

### 11.3.2 Three months ended 31 March 2016 compared with three months ended 31 March 2015

The table below is extracted from the Interim Financial Statements for the three months ended 31 March 2016 and 2015.

*In USD million*

	<b>Three months ended 31 March</b>	
	<b>2016</b> <i>(unaudited)</i>	<b>2015</b> <i>(unaudited)</i>
Charter hire .....	163.6	209.7
Lease interest .....	2.4	3.4
Other income .....	48.4	23.7
<b>Total revenues</b> .....	<b>214.4</b>	<b>236.8</b>
Operating expenses vessels .....	(113.2)	(104.8)
Other expenses .....	(2.2)	(26.6)
Administrative expenses .....	(1.7)	(12.3)
<b>Total expenses</b> .....	<b>(117.1)</b>	<b>(143.7)</b>
Share of profit/(loss) of associated companies .....	0.1	0.1
Operating profit before depreciation, amortisation and sale of assets .....	97.4	93.2
Depreciation and amortisation .....	(60.4)	(58.0)
Impairment .....	(0.8)	0.0
Net gain/(loss) on sale of tangible fixed assets .....	0.0	1.5
<b>Operating profit</b> .....	<b>36.2</b>	<b>36.7</b>
Interest income .....	0.5	1.3
Fair value gain/(loss) on financial instruments .....	(3.9)	(10.2)
Net currency gain/(loss) .....	(13.7)	0.9
Interest expense .....	(11.6)	(13.2)
Other financial items .....	(0.7)	(0.7)
<b>Net financial expenses</b> .....	<b>(29.4)</b>	<b>(21.9)</b>
<b>Profit/(loss) before tax</b> .....	<b>6.8</b>	<b>14.8</b>
Income tax expense .....	(9.7)	(9.0)
<b>Net profit/(loss) for the period</b> .....	<b>(2.9)</b>	<b>5.8</b>

Charter hire for the three months ended 31 March 2016 was USD 163.6 million compared to USD 209.7 million for the three months ended 31 March 2015, a decrease of USD 46.1 million. Comparing quarter to quarter, first quarter 2016 was negatively affected by the accident on FPSO Cidade de São Mateus on 11 February 2015 as no charter rate has been earned in the quarter. Secondly, compared to first quarter 2015, charter hire has decreased as the contract on FPSO BW Athena was terminated early 2016.

Lease interest for the three months ended 31 March 2016 was USD 2.4 million compared to USD 3.4 million for the three months ended 31 March 2015, a decrease of USD 1.0 million. The decrease was primarily attributable to the termination of the lease contract for FSO Belokamenka that was terminated during December 2015. The contract was accounted for as a financial lease.

Other income for the three months ended 31 March 2016 was USD 48.4 million compared to USD 23.7 million for the three months ended 31 March 2015, an increase of USD 24.7 million. Income is predominantly related to insurance income for FPSO Cidade de São Mateus. As the unit is covered under the Company's loss of hire insurance, such insurance has been paid since May 2015 up to, and including, first quarter 2016. The increase has been offset by loss of paid FEED related activities that the Company completed during 2015.

Operating expenses vessels for the three months ended 31 March 2016 were USD 113.2 million compared to USD 104.8 million for the three months ended 31 March 2015, an increase of USD 8.4 million. The increase was primarily attributable to certain one off provisions made during first quarter 2016 to cater for doubtful debt as well as slightly higher operational activity in first quarter 2016.

Other expenses for the three months ended 31 March 2016 were USD 2.2 million compared to USD 26.6 million for the three months ended 31 March 2015, a decrease of USD 24.4 million. The decrease was primarily attributable to cost incurred related to ongoing FEED activities that were completed during 2015.

Administrative expenses for the three months ended 31 March 2016 were USD 1.7 million compared to USD 12.3 million for the three months ended 31 March 2015, a decrease of USD 10.6 million. The decrease was primarily attributable to the release of USD 17.8 million related to provisions previously made for the Variable Compensation Scheme for employees, as targets were not met during 2015, offset by USD 7.7 million in provisions for restructuring that started in the first quarter of 2016.

Share of profit of associated companies was USD 0.1 million for the three months ended 31 March 2016 and USD 0.1 million for the three months ended 31 March 2015.

Operating profit before depreciation, amortisation and sale of assets for the three months ended 31 March 2016 was USD 97.4 million compared to USD 93.2 million for the three months ended 31 March 2015, an increase of USD 4.2 million.

Depreciation and amortisation for the three months ended 31 March 2016 was USD 60.4 million compared to USD 58.0 million for the three months ended 31 March 2015, an increase of USD 2.4 million. The increase was primarily attributable to increased depreciations on FPSO BW Athena, as depreciation of non-recoverable was accelerated due to the shorter expected term of the contract for the unit. The increase was also attributable to increased depreciations on FPSO Azurite as the Company started depreciating units during lay-up using the same straight line method as used for active units. The increase has been offset by lower depreciation on units that were subject to impairment during fourth quarter 2015.

Impairment for the three months ended 31 March 2016 was USD 0.8 million compared to nil for the three months ended 31 March 2015, an increase of USD 0.8 million. The increase was primarily related to furniture and fitting written off as the Company handed back office space as a result of internal downsizing.

Net gain on sale of tangible fixed assets for the three months ended 31 March 2016 was nil compared to USD 1.5 million for the three months ended 31 March 2015, a decrease of USD 1.5 million. The gain came from the sale of BW Opal during first quarter 2015.

Interest income for the three months ended 31 March 2016 was USD 0.5 million compared to USD 1.3 million for the three months ended 31 March 2015, a decrease of USD 0.8 million. The decrease was primarily related to lower interest earned on deposits.

Fair value loss on financial instruments for the three months ended 31 March 2016 was USD 3.9 million compared to USD 10.2 million for the three months ended 31 March 2015, a decrease of USD 6.3 million. Financial instruments are derivatives used for hedging interest rate risk on loans. Derivatives are valued market to market, and will give a loss during periods when interest rates fall from one period to another.

Net currency loss for the three months ended 31 March 2016 was USD 13.7 million compared to a gain of USD 0.9 million for the three months ended 31 March 2015, an increase of USD 14.6 million. The loss was primarily attributable to hedging of foreign currency contracts for the Catcher project.

Interest expense for the three months ended 31 March 2016 was USD 11.6 million compared to USD 13.2 million for the three months ended 31 March 2015, a decrease of USD 1.6 million. The decrease was primarily attributable to lower interests incurred on current loan engagements compared to first quarter 2015.

Other financial items were negative with USD 0.7 million for the three months ended 31 March 2016 and negative USD 0.7 million for the three months ended 31 March 2015.

Profit before tax for the three months ended 31 March 2016 was USD 6.8 million compared to USD 14.8 million for the three months ended 31 March 2015, a decrease of USD 8 million.

Tax expense for the three months ended 31 March 2016 was USD 9.7 million compared to USD 9.0 million for the three months ended 31 March 2015, an increase of USD 0.7 million. The increase was primarily attributable to withholding tax incurred on internal transactions during first quarter 2016.

For the reasons described above, loss for the three months ended 31 March 2016 was USD 2.9 million compared to a profit of USD 5.8 million for the three months ended 31 March 2015, a decrease of USD 8.7 million.

### 11.3.3 Year ended 31 December 2015 compared with year ended 31 December 2014

The table below is extracted from the Financial Statements for the years ended 31 December 2015 and 2014.

In USD million

	<b>Year ended 31 December</b>	
	<b>2015 (audited)</b>	<b>2014 (audited)<sup>1</sup></b>
Charter hire .....	791.7	1,022.9
Lease interest .....	13.6	14.6
Other income .....	302.7	32.9
<b>Total revenues .....</b>	<b>1,108.0</b>	<b>1,070.4</b>
Operating expenses vessels .....	(493.2)	(466.9)
Other expenses .....	(31.2)	(36.6)
Administrative expenses .....	(46.3)	(61.2)
<b>Total expenses .....</b>	<b>(570.6)</b>	<b>(564.7)</b>
Share of profit/(loss) of associated companies .....	0.4	21.8
Operating profit before depreciation, amortisation and sale of assets .....	537.8	527.5
Depreciation and amortisation .....	(262.5)	(223.0)
Impairment .....	(396.4)	-
Net gain/(loss) on sale of tangible fixed assets .....	1.4	0.2
<b>Operating profit .....</b>	<b>(119.7)</b>	<b>304.7</b>
Interest income .....	2.8	2.1
Fair value gain/(loss) on financial instruments .....	(9.8)	(7.1)
Net currency gain/(loss) .....	3.9	(3.8)
Interest expense .....	(49.6)	(65.1)
Other financial items .....	(3.4)	(5.4)
<b>Net financial expenses .....</b>	<b>(56.1)</b>	<b>(79.3)</b>
<b>Profit/(loss) before tax .....</b>	<b>(175.8)</b>	<b>225.4</b>
Income tax expense .....	(40.5)	(38.2)
<b>Profit/(loss) for the year .....</b>	<b>(216.3)</b>	<b>187.2</b>

1 The financial information for 2014 has been restated with USD 7.2 million as the Group has reclassified currency hedges to gain/(loss) financial instruments effective from 1 January 2015, as effects from gains or losses from currency hedges are a result of changes in exchange rates over a period of time rather than a result of operational performance.

Charter hire for the year ended 31 December 2015 was USD 791.7 million compared to USD 1,022.9 million for the year ended 31 December 2014, a decrease of USD 231.2 million. The reduction is primarily attributable to the loss of charter hire for FPSO Cidade de São Mateus from February and loss of charter rate for FPSO BW Athena from July 2015 as well as the one off settlement recognised for FPSO Azurite in 2014.

Revenue derived from lease interests on the lease of FPSO YÙUM K'AK'NÀAB and FSO Belokamenka was USD 13.6 million compared to USD 14.6 million in 2014. Interests are reduced over time as the principal under the lease is repaid.

Other income increased to USD 302.7 million compared to USD 32.9 million in 2014. The increase is primarily all related to FPSO Cidade de São Mateus and insurance recoverable recognised for Loss of Hire, insurance for recovery of the unit as well as for repair.

Operating expenses include all expenses related to the operation of the FPSOs and FSOs, expenses related to construction contracts and expenses related to FEED activities. Total operating expenses were USD 493.2 million compared to USD 466.9 million in 2014. The increase in operating expenses was to a large extent related to increased cost due to the recovery of the FPSO Cidade de São Mateus (coinciding with increased other income referred to above).

Other expenses for the year ended 31 December 2015 were USD (31.2) million compared to USD (36.6) million for the

year ended 31 December 2014, a decrease of USD 5.4 million. Other expenses relates to tendering and FEED activities which is to a large extent funded by third parties, and the decrease is primarily attributable to lower tender and FEED activity in 2015.

Administrative expenses for the year ended 31 December 2015 were USD 46.3 million compared to USD 61.2 million for the year ended 31 December 2014, a decrease of USD 14.9 million. Administrative expenses include expenses that are not directly attributable to the operation of the Group's FPSOs and FSOs, primarily employment expenses incurred by the operating offices in Oslo and Singapore as well as expenses related to corporate and tender activities. The reduction is a result of higher cost reduction focus, higher allocation of activity to project as well as due to the strengthening of USD vs NOK, SGD and BRL, which has reduced administrative expenses measured in USD.

Share of profit from associated companies for the year ended 31 December 2015 was USD 0.4 million compared to USD 21.8 million for the year ended 31 December 2014, a decrease of USD 21.4 million. The decrease was primarily attributable to the acquisition of the remaining 50% of Tinworth Pte. Ltd, owning Petróleo Nautipa in 2014. This company and its subsidiary was from 2014 100% controlled by BW Offshore. In this situation IFRS 3 Business Combinations would apply. It required BW Offshore to revalue its previously held 50% ownership as at 1 July 2014 to market value. The revaluation provided for a positive adjustment to net book value of USD 19.7 million.

Operating profit before depreciation, amortisation and sale of assets for the year ended 31 December 2015 was USD 537.8 million compared to USD 527.5 million for the year ended 31 December 2014, an increase of USD 10.3 million.

Depreciation and amortisation amounted to USD 262.5 million, compared to USD 223.0 million in 2014. Depreciations increased primarily as depreciations of non-recoverable costs on BW Athena have been accelerated due to the outlook under the revised contract with Ithaca Energy.

Impairment for the year ended 31 December 2015 was USD 396.4 million compared to nil for the year ended 31 December 2014, an increase of USD 396.4 million. BW Offshore completed its impairment review of fixed assets during fourth quarter 2015. As a result, the Group has recorded an impairment of USD 160 million to reflect losses related to non-recoverable costs, as well as direct damages to the FPSO Cidade de São Mateus. In addition, an impairment loss of USD 36 million on FPSO Azurite, USD 6.0 million on FPSO BW Athena and USD 7.3 million on FPSO Polvo was recorded. Due to the expectations of a prolonged downturn in the oil and gas sector with limited new awards in the short to medium term, the Group has seen it necessary to adjust assumptions used for valuing the fleet. This has in general led to lower headroom between recoverable amount and net book value, and for some vessels this resulted in an impairment for 2015. Each vessel is regarded as a cash generating unit for impairment testing. The recoverable amount is based on a value-in-use calculation for each of the vessels in the fleet. To estimate the recoverable amount, the Group has to make assumptions on contracted cash flows as well as uncontracted cash flows over the useful live for each vessel. Uncontracted cash flows has been estimated based on past experience, expectations on future market conditions and return on invested capital. The assumptions made are built into different scenarios with different cash flows for each unit. Part of the basis for the impairment assessment is also that the Group expects an improved market from mid-2017 where idle units are expected to return to employment. Each of the scenarios are weighted so as to provide for a recoverable amount for each unit that is a weighted average of all scenarios. Scenarios will also include a weighted probability that a unit cannot be redeployed beyond current contract and will have to be recycled.

For the above-mentioned reasons, BW Offshore has also seen it appropriate to record an impairment of USD 186.9 million related to Goodwill. Following this, net book value of Goodwill was zero.

Net gain on sale of tangible fixed assets for the year ended 31 December 2015 was USD 1.4 million compared to USD 0.2 million for the year ended 31 December 2014, an increase of USD 1.2 million. The increase was primarily attributable to the sale of BW Opal in 2015. The unit was earmarked for the Leviathan FEED for Noble Energy. However, as the FEED was suspended early 2015, the Group decided to sell the unit.

Interest income for the year ended 31 December 2015 was USD 2.8 million compared to USD 2.1 million for the year ended 31 December 2014, an increase of USD 0.7 million. The increase was primarily attributable to higher interest earned on deposits.

Fair value loss on financial instruments for the year ended 31 December 2015 was USD 9.8 million compared to USD 7.1 million for the year ended 31 December 2014, an increase of USD 2.7 million. Financial instruments are derivatives used for hedging interest rate risk on loans. Derivatives are valued market to market, and will give a loss during periods when interest rates fall from one period to another.

Net currency gain for the year ended 31 December 2015 was USD 3.9 million compared to a loss of USD 3.8 million for the year ended 31 December 2014, an increase of USD 7.7 million. The increase was primarily attributable to a favourable development on foreign currency contracts used to hedge operational and project related currency exposure.

Interest expense for the year ended 31 December 2015 was USD 49.6 million compared to USD 65.1 million for the year ended 31 December 2014, a decrease of USD 15.5 million. The reduction is mainly due to lower interest expenses in 2015 compared to 2014 as interests are capitalised on projects as well as restatement of hedges.

Other financial items for the year ended 31 December 2015 were negative with USD 3.4 million compared to USD 5.4 million for the year ended 31 December 2014, a decrease of USD 2.0 million.

Loss before tax for the year ended 31 December 2015 was USD 175.8 million compared to a profit of USD 225.4 million for the year ended 31 December 2014, a decrease of USD 401.2 million.

Tax expense for the year ended 31 December 2015 was USD 40.5 million compared to USD 38.2 million for the year ended 31 December 2014, an increase of USD 2.3 million, primarily related to additional provisions made for changes to taxation on vessels operation in Nigeria and Indonesia.

For the reasons described above, loss for the year ended 31 December 2015 was USD 216.3 million compared to a profit of USD 187.2 million for the year ended 31 December 2014, a decrease of USD 403.5 million.

#### 11.3.4 Year ended 31 December 2014 compared with year ended 31 December 2013

The table below is extracted from the Financial Statements for the years ended 31 December 2014 and 2013.

*In USD million*

	Year ended 31 December		
	2014 <i>(audited)</i>	Restated 2013 <i>(audited)</i> <sup>1</sup>	2013 <i>(audited)</i>
Charter hire .....	1,022.9	901.7	927.9
Construction contract revenue .....	-	23.0	23.0
Lease interest .....	14.6	15.9	15.9
Other income .....	32.9	15.6	15.6
<b>Total revenues .....</b>	<b>1,070.4</b>	<b>956.2</b>	<b>982.4</b>
Operating expenses vessels .....	(466.9)	(389.2)	(400.4)
Construction contract expenses .....	-	(42.8)	(42.8)
Currency hedges and other currency effects .....	-	(5.1)	(4.8)
Other expenses .....	(36.6)	(28.2)	(28.2)
Administrative expenses .....	(61.2)	(59.5)	(59.5)
<b>Total expenses .....</b>	<b>(564.7)</b>	<b>(524.8)</b>	<b>(535.7)</b>
Share of profit/(loss) of associated companies .....	21.8	11.7	0.7
Operating profit before depreciation, amortisation and sale of assets .....	527.5	443.1	447.4
Depreciation and amortisation .....	(223.0)	(263.9)	(265.7)
Net gain/(loss) on sale of tangible fixed assets .....	0.2	(0.3)	(0.3)
<b>Operating profit .....</b>	<b>304.7</b>	<b>178.9</b>	<b>181.4</b>
Interest income .....	2.1	2.4	2.4
Fair value gain/(loss) on financial instruments .....	(7.1) <sup>2</sup>	3.7	3.7
Net currency gain/(loss) .....	(3.8)	-	-
Interest expense .....	(65.1)	(63.1)	(63.1)
Other financial items .....	(5.4)	(4.4)	(4.4)
<b>Net financial expenses .....</b>	<b>(79.3)</b>	<b>(61.4)</b>	<b>(61.4)</b>

In USD million

	<b>Year ended 31 December</b>		
	<b>Restated</b>		
	<b>2014 (audited)</b>	<b>2013 (audited)<sup>1</sup></b>	<b>2013 (audited)</b>
<b>Profit/(loss) before tax .....</b>	<b>225.4</b>	<b>117.5</b>	<b>120.0</b>
Income tax expense.....	(38.2)	(36.1)	(36.4)
<b>Profit/(loss) for the year .....</b>	<b>187.2</b>	<b>81.4</b>	<b>83.6</b>

- 1 Effective from 1 January 2014, the Group changed its accounting of jointly controlled companies to the equity method, based on the implementation of IFRS 11. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead JCEs that meet the definition of a joint venture must be accounted for using the equity method. Instead of consolidating the assets, liabilities, revenues and expenses, the Group will present its share of result from joint ventures on one line as revenues from joint ventures. The Group has considered the shareholding in LLC "Oil Terminal Belokamenka" as a joint venture, and have accounted for its shareholding according to the equity method. The change is applied retrospectively.
- 2 See note 1 to the table in Section 11.3.2 "Year ended 31 December 2015 compared with year ended 31 December 2014".

For the purpose of this Section 11.3.3 "Year ended 31 December 2014 compared with year ended 31 December 2013", the restated figures for the year ended 31 December 2013, extracted from the comparison figures in the Company's audited consolidated financial statements as at, and for the year ended, 31 December 2014, have been used when comparing the year-on-year results of operations.

Charter hire for the year ended 31 December 2014 was USD 1,022.9 million compared to USD 901.7 million for the year ended 31 December 2013, an increase of USD 121.2 million. The increase was primarily attributable to the early termination fee received for FPSO Azurite, the consolidation of FPSO Petr leo Nautipa from the acquisition of the remaining 50% share in the unit as well as some higher level on reimbursable items throughout 2014.

Construction contract revenue for the year ended 31 December 2014 was nil compared to USD 23.0 million for the year ended 31 December 2013, a decrease of USD 23.0 million. The decrease was primarily attributable to the completion of the FPSO-P63 for the Papa Terra Joint Venture (Petrobras and Chevron) during 2013. The Company had no ongoing construction contracts during 2014.

Lease interest from the leaseon FPSO Y UM K'AK'N AB and FSO Belokamenka for the year ended 31 December 2014 was USD 14.6 million compared to USD 15.9 million for the year ended 31 December 2013, a decrease of USD 1.3 million. The decrease was primarily attributable to Interests being reduced over time as the principal under the lease is repaid.

Other income for the year ended 31 December 2014 was USD 32.9 million compared to USD 15.6 million for the year ended 31 December 2013, an increase of USD 17.3 million. The increase was primarily attributable to higher volume of paid tender and FEED related activities during 2014 compared to 2013.

Operating expenses vessels for the year ended 31 December 2014 were USD 466.9 million compared to USD 389.2 million for the year ended 31 December 2013, an increase of USD 77.7 million. The increase was primarily attributable to somewhat higher activity level on the fleet compared to 2013, mainly on reimbursable items.

Construction contract expenses for the year ended 31 December 2014 were nil compared to USD 42.8 million for the year ended 31 December 2013, an increase of USD 42.8 million. The increase was primarily attributable to the completion of the FPSO-P63 for the Papa Terra Joint Venture (Petrobras and Chevron) during 2013. The Company had no ongoing construction contracts during 2014.

Currency hedges and other currency effects for the year ended 31 December 2014 were nil compared to a loss of USD5.1 million for the year ended 31 December 2013, an increase of USD 5.1 million. The increase was primarily attributable to currency hedges being reclassified to gain/(loss) financial instruments effective in 2014, as effects from gains or losses from currency hedges are a result of changes in exchange rates over a period of time rather than a result of operational performance.

Other expenses for the year ended 31 December 2014 were USD 36.6 million compared to USD 28.2 million for the year ended 31 December 2013, an increase of USD 8.4 million. The increase was primarily attributable to higher volume tender and FEED related activities during 2014 compared to 2013.

Administrative expenses for the year ended 31 December 2014 were USD 61.2 million compared to USD 59.5 million for the year ended 31 December 2013, an increase of USD 1.7 million.

Share of profit/(loss) of associated companies for the year ended 31 December 2014 was USD 21.8 million compared to USD 11.7 million for the year ended 31 December 2013, an increase of USD 10.1 million. The increase was primarily attributable to the acquisition of the remaining 50% of Tinworth Pte. Ltd, owning Petróleo Nautipa in 2014. This company and its subsidiary was from 2014 100% controlled by BW Offshore. In this situation IFRS 3 Business Combinations would apply. It required BW Offshore to revalue its previously held 50% ownership as at 1 July 2014 to market value. The revaluation provided for a positive adjustment to net book value of USD 19.7 million.

Operating profit before depreciation, amortisation and sale of assets for the year ended 31 December 2014 was USD 527.5 million compared to USD 443.1 million for the year ended 31 December 2013, an increase of USD 84.4 million.

Depreciation and amortisation for the year ended 31 December 2014 was USD 223.0 million compared to USD 263.9 million for the year ended 31 December 2013, a decrease of USD 40.9 million. The decrease was primarily attributable to that during the first quarter of 2014 BW Offshore reviewed and amended the estimates used for defining useful life on the existing fleet. This review resulted in a revised depreciation schedule on a number of FPSOs in the fleet.

Net gain on sale of tangible fixed assets for the year ended 31 December 2014 was USD 0.2 million compared to a loss of USD 0.3 million for the year ended 31 December 2013, an increase of USD 0.5 million.

Interest income for the year ended 31 December 2014 was USD 2.1 million compared to USD 2.4 million for the year ended 31 December 2013, a decrease of USD 0.3 million. The decrease was primarily attributable to less interests earned on deposits.

Fair value loss on financial instruments for the year ended 31 December 2014 was USD 7.1 million compared to a gain of USD 3.7 million for the year ended 31 December 2013, a decrease of USD 10.8 million. The decrease was primarily attributable to lower interest rates affecting interest rate hedges negatively.

Net currency loss for the year ended 31 December 2014 was USD 3.8 million compared to nil for the year ended 31 December 2013, a decrease of USD 3.8 million. The decrease was primarily attributable to an unfavourable development on foreign currency contracts used to hedge operational related currency exposure.

Interest expense for the year ended 31 December 2014 was USD 65.1 million compared to USD 63.1 million for the year ended 31 December 2013, an increase of USD 2.0 million. The increase was primarily attributable to increasing interest bearing debt.

Other financial items for the year ended 31 December 2014 were negative USD 5.4 million compared to negative USD 4.4 million for the year ended 31 December 2013, an increase of USD 1.0 million.

Profit before tax for the year ended 31 December 2014 was USD 225.4 million compared to USD 117.5 million for the year ended 31 December 2013, an increase of USD 107.9 million.

Tax expense for the year ended 31 December 2014 was USD 38.2 million compared to USD 36.1 million for the year ended 31 December 2013, a decrease of USD 2.1 million. The increase was primarily attributable to higher taxes on revenue driven tax.

For the reasons described above, profit for the year ended 31 December 2014 was USD 187.2 million compared to USD 81.4 million for the year ended 31 December 2013, an increase of USD 105.8 million.

## **11.4 Liquidity and capital resources**

### *11.4.1 Sources and use of cash*

The primary source of the Group's liquidity is cash flow from operations, external debt in the form of banks loans and bonds, and capital contribution from shareholders.

As of 31 March 2016, the Company had USD 109.9 million in cash and cash equivalents compared to USD 121.8 million per 31 December 2015. As of 31 March 2016, the Company had USD 849.9 million in interest-bearing loans and USD 60.0 million in letters of guarantee drawn under the USD 2,400 million credit facility. The committed amount on the USD 2,400 million credit facility was USD 1,086.2 million, following scheduled reductions. Total utilised debt

facilities for the company, including bond loans and other facilities was USD 1,760.2 million. Total available liquidity as of 31 March 2016 amounted to USD 286.1 million. Cash held by the Group is predominantly held in USD.

The Group primarily uses cash to fund capital expenditure for construction of new FPSOs, capital expenditure to perform life extension on FPSOs during operation, expenditures for operation of FPSOs, repayment of borrowings and general corporate purposes.

The Group's expected liquidity needs for the 12 month period following the date of this Prospectus primarily relate to:

- Capital expenditure for the ongoing construction of FPSO BW Catcher, which is planned to be complete and ready for production during second half of 2017. The construction is financed through a USD 800 million senior secured pre-and post-delivery term loan facility, established in 2014, being a project specific bank financing in relation to construction of the FPSO to operate on the Catcher oil field in the UK North Sea. The loan facility is established so that the Company fund 70% of capital expenditure from the loan facility and remaining 30% from other proceeds available in the Company.
- Repair of FPSO Cidade de São Mateus post the accident in Brazil. The Company has started preparing the repair scope for the unit. The length of the repair period is still uncertain and BW Offshore will not receive loss of hire insurance after May 2016. These activities will primarily be funded by the insurance cover that the Company has taken out for Hull & Machinery damages.
- Ongoing life extension activities on FPSOs in operation. The Company is undertaking several modification and life extension activities on existing units. These activities are being undertaken either as the client has requested changes because the unit is requested to stay on the field longer than planned or because the client has requested changes to the unit to increase production or tie in more wells. These activities are either funded on a cost plus basis or reimbursed through higher day rates, but the Company also draw on other proceeds as necessary.
- Ongoing operations of FPSOs and corporate activities. These activities will be funded by cash generated from operations.
- Instalments on loan facilities and settlement of bonds that mature during the upcoming period.

The expected liquidity need for planned activities, as presented above, for the coming 12 month period is USD 1,279 million.

Management believes that cash flows from operations, funds from existing bank loans and bonds and the proceeds from the Rights Issue will be adequate to support the liquidity need described above.

The primary focus of the Company's financial strategy is to ensure a healthy capital structure to support its business, fulfil all financial obligations and maximise shareholder value. The Company also monitors and manages its capital structure in light of changes in the economic conditions. The Company works with long term and short term cash flow and result projections that are driven by the strategy, market expectations and the operation of the company to project whether the Company's capital structure is sufficient. These will also be used to test how the Company performs towards covenant requirements under the current loan facilities and bond loans. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholders, return capital to shareholders or issue new shares. Construction and Conversion projects will normally be funded through current loan facilities and/or specific project loan facilities equalling 70-80% of the cost of the project. Project loan facilities can be established either before a contract for the conversion project is signed, during the conversion phase of a project or when an FPSO commence operation. The Company has also since 2012 issued bonds in NOK. Going forward the Company will consider to continue issuing bonds if the market allow for it and it provide competitive funding as an alternative to traditional bank financing.

The Group has certain covenants on bank debt as well as for the outstanding bonds as discussed under Sections 11.6.2 "Credit facilities" and 11.6.3 "Bonds". The Group will on a regular basis do projections both short and long term to predict status compared to covenants. As at 31 March 2016, the Group's equity ratio was 28.0% (minimum required under its loan facilities is 25%), and the leverage ratio was 2.4 (maximum 5.5). The Group's actual minimum liquidity as at 31 March 2016 was USD 286.1 million (minimum USD 75 million) and interest cover ratio was 11.8 (minimum 3.0).

#### 11.4.2 Cash received from subsidiaries

The Company does not have significant obstacles or barriers to transfer funds to it from its subsidiaries that may affect its ability to meet or fulfil its financial or other obligations.

#### 11.4.3 Cash flows

The table below summarises the Group's historical cash flows, and is extracted from the Financial Information, for each of the financial periods presented.

In USD million	Three months ended 31 March		Year ended 31 December			
	2016	2015	2015	2014	Restated 2013	2013
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)	(audited)
Net cash flows from operating activities.....	122.5	80.6	438.4	548.9	319.5	326.6
Net cash flows used in investing activities.....	(89.2)	(13.2)	(396.2)	(419.7)	(99.9)	(107.8)
Net cash flows from/(used in) financing activities .....	(45.1)	(131.5)	(135.8)	(46.2)	(185.2)	(185.2)
Cash and cash equivalents at beginning of the period.....	121.8	215.4	215.4	132.4	98.0	101.9
Net change in cash and cash equivalents .....	109.9	151.3	121.8	215.4	132.4	135.5

1 See note 1 to the selected statement of comprehensive income included in Section 11.3.3 "Year ended 31 December 2014 compared with year ended 31 December 2013".

For the purpose of this Section 11.4.3 "Cash flows", the restated figures for the year ended 31 December 2013, extracted from the comparison figures in the Company's audited consolidated financial statements as at, and for the year ended, 31 December 2014, have been used when comparing the year-on-year cash flows for 2014 and 2013. There has been no significant changes to the Group's cash flows since 31 March 2016.

##### 11.4.3.1 Cash flows from operating activities

#### Three months ended 31 March 2016 compared to three months ended 31 March 2015

Net cash inflow from operating activities for the three months ended 31 March 2016 was USD 122.5 million compared to USD 80.6 million for the three months ended 31 March 2015, an increase of USD 41.9 million. The increase was primarily attributable to additional payments from clients for overdue invoices during first quarter 2016.

#### Year ended 31 December 2015 compared to year ended 31 December 2014

Net cash inflow from operating activities for the year ended 31 December 2015 was USD 438.4 million compared to USD 548.9 million for the financial year ended 31 December 2014, a decrease of USD 110.5 million. The decrease was primarily attributable to less revenues from FPSO BW Athena and FPSO Azurite as well as due to the incident on FPSO Cidade de São Mateus. The contract on FPSO BW Athena was revised in 2015, which resulted no charter rate until the contract was terminated in 2016. The contract for FPSO Azurite was terminated during 2014, and the Company received a one-off fee at the same time. Due to the accident on FPSO Cidade de São Mateus the Company has been without income on the unit until loss of hire income started from May 2015.

#### Year ended 31 December 2014 compared to year ended 31 December 2013

Net cash inflow from operating activities for the year ended 31 December 2014 was USD 548.9 million compared to USD 319.5 million for the year ended 31 December 2013, an increase of USD 229.4 million. The increase was primarily attributable to increase in trade payables and increase in prepayments from clients relating to both operation and projects.

##### 11.4.3.2 Cash flows from investing activities

#### Three months ended 31 March 2016 compared to three months ended 31 March 2015

Net cash outflow from investing activities for the three months ended 31 March 2016 was USD 89.2 million compared to USD 13.2 million for the three months ended 31 March 2015, an increase of USD 76 million. The increase was primarily attributable to sale of BW Opal in first quarter 2015 which reduced net cash outflow.

### Year ended 31 December 2015 compared to year ended 31 December 2014

Net cash outflow from investing activities for the year ended 31 December 2015 was USD 396.2 million compared to USD 419.7 million for the year ended 31 December 2014, a decrease of USD 23.5 million. The decrease was primarily attributable to acquisition of BW Opal in 2014 and acquisition of the remaining 50% in Tinworth Pte. Ltd. as part of taking 100% ownership in FPSO Petr leo Nautipa in 2014 offset by the sale of BW Opal in 2015 and increased capital expenditure on the Catcher project in 2015 compared to 2014.

### Year ended 31 December 2014 compared to year ended 31 December 2013

Net cash outflow from investing activities for the year ended 31 December 2014 was USD 419.7 million compared to USD 99.9 million for the year ended 31 December 2013, an increase of USD 319.8 million. The increase was primarily attributable to acquisition of BW Opal in 2014, acquisition of the remaining 50% in Tinworth Pte. Ltd. as part of taking 100% ownership in FPSO Petr leo Nautipa in 2014, and start up on the Catcher project in 2014.

#### 11.4.3.3 Cash flows from financing activities

### Three months ended 31 March 2016 compared to three months ended 31 March 2015

Net cash outflow from financing activities for the three months ended 31 March 2016 was USD 45.1 million compared to USD 131.5 million for the three months ended 31 March 2015, a decrease of USD 86.4 million. The decrease was primarily attributable to no dividend payments in 2016, net increase in drawn-down on the revolving loan facility in 2015, repayment of the USD 50 million unsecured term loan in 2015 offset by the new USD 80 million Petr leo Nautipa facility in 2015.

### Year ended 31 December 2015 compared to year ended 31 December 2014

Net cash outflow from financing activities for the year ended 31 December 2015 was USD 135.8 million compared to USD 46.2 million for the year ended 31 December 2014, an increase of USD 89.6 million. The increase was primarily attributable to the new USD 50 million unsecured term loan in 2014 which was repaid in 2015, net reduction on the revolving loan facility compared to net increase in 2014, higher drawdown on the USD 800 million Catcher facility in 2015 a new USD 80 million Petr leo Nautipa facility in 2015 and lower dividend payments in 2015.

### Year ended 31 December 2014 compared to year ended 31 December 2013

Net cash outflow from financing activities for the year ended 31 December 2014 was USD 46.2 million compared to USD 185.2 million for the year ended 31 December 2013, a decrease of USD 139 million. The decrease was primarily attributable to the new USD 50 million unsecured term loan in 2014, higher drawdown on the USD 800 million Catcher facility in 2014, net increase on the revolving loan facility in 2014 compared to 2013, offset by the new USD 250 million Joko Tole facility in 2013 and higher dividend payments in 2014 compared to 2013.

## 11.5 Investments

### 11.5.1 Principal historical investments

The table below shows the Group's principal historical capital expenditures and investments for the three month ended 31 March 2016 and the years ended 31 December 2015, 2014 and 2013.

	Three months ended 31 March		Year ended 31 December	
	2016 (unaudited)	2015 (audited)	2014 (audited)	Restated 2013 (audited) <sup>4</sup>
<i>In USD million</i>				
Vessels in operation <sup>1</sup> .....	15.9	102.4	123.4	90.1
Vessels under construction <sup>2</sup> .....	70.5	373.0	149.5	0
Vessels available for projects <sup>3</sup> .....	2.0	21.4	84.5	0
<b>Total</b> .....	<b>88.4</b>	<b>496.8</b>	<b>357.4</b>	<b>90.1</b>

1 Refers to vessels which are operating under contracts with clients.

2 Refers to BW Catcher which is currently under construction and has not yet commenced operation. See also Section 11.3.1 "Material factors affecting the Group's results" for further information about finalisation and contribution from BW Catcher.

3 Refers to vessels which are in lay-up or are tendering for new contracts. Amount in 2014 is mainly related to the purchase of the VLCC BW Opal; and amount in 2015 is mainly related to the re-delivery of the FSO Belokamenka.

4 See note 1 to the selected statement of income included in Section 11.3.4 "Year ended 31 December 2014 compared with year ended 31 December 2013".

There has been no principal capital expenditures or investments since the date of the Financial Statements as at, and for the year ended, 31 December 2015 and the three months ended 31 March 2016 and to the date of this Prospectus, except for ongoing investments related to the Catcher project.

### 11.5.2 Principal investments in progress and planned principal investments

The table below sets forth information on the Group's capital expenditure committed for the period from 31 March 2016 to 31 December 2016 and the capital expenditure commitments for the other periods indicated:

*In USD million*

	2016	2017	2018	2019	2020	Total
Vessels in operation <sup>1</sup> .....	146	315	105	41	32	639
Vessels under construction <sup>2</sup> .....	310	249	37	0	0	596
Vessels available for projects <sup>3</sup> .....	2	0	0	0	0	2
<b>Total</b> .....	<b>457</b>	<b>564</b>	<b>142</b>	<b>41</b>	<b>32</b>	<b>1,237</b>

- 1 Refers to vessels which are operating under contracts with clients, and includes life extension activities. Replacement of the wire segments of the subsea mooring system for BW Pioneer is included in the 2016 estimate given above. The cost for the replacement will be partly covered by insurance.
- 2 Refers to BW Catcher which is currently under construction and has not yet commenced operation. See also Section 11.3.1 "Material factors affecting the Group's results" for further information about finalisation and contribution from BW Catcher.
- 3 Refers to vessels which are in lay-up or are tendering for new contracts.

Such committed capital expenditure relates to the committed capital expenditure required for the construction works for BW Catcher, and the on-going life extension activities.

The Company has not formally made commitments for capital expenditure on vessels in operation beyond 2016. The above-mentioned number, however, provide a best estimate on capital expenditure that the Company needs to make to ensure the vessels can stay in operation at current locations and under current contracts. Investments for vessels under construction (FPSO BW Catcher) is financed by a USD 800 million project facility supported by cash flow from operation and draw-down from the MUSD 2,400 Facility. Investments in vessels in operation is financed through cash flow from operation, supported by draw-down on the MUSD 2,400 Facility. With the additional liquidity secured through the 2016 Financial Plan, Management believes that there is sufficient liquidity to meet the committed capital expenditure described above.

Other than as described above, BW Offshore has no significant committed future investments as of the date of this Prospectus.

## 11.6 Borrowings and other contractual obligations

### 11.6.1 Material borrowings

The table below sets out the maturity structure of all the Group's financial liabilities as at 31 March 2016.

*In USD million*

	Remaining term as of 31 March 2016				
	2016	2017	2018	2019	2020 onwards
Bank loans – principal .....	154.3	275.6	680.5	125.9	203.1
Bank loans – interest .....	33.8	39.0	17.7	9.8	7.2
Bonds – principal <sup>1</sup> .....	-	90	86.8	124	117
Bonds – interest .....	17.7	19.7	14.9	8.9	3.7
Swap - interest <sup>2</sup> .....	8.5	7.5	3.8	2.3	4.6
<b>Total</b> .....	<b>214.3</b>	<b>431.8</b>	<b>803.7</b>	<b>270.9</b>	<b>335.6</b>

- 1 Bond loans illustrated at swapped USD/NOK rate.
- 2 Libor estimate based on forward curve per 19 April 2016.

The table below sets out the maturity structure of all the Group's financial liabilities assuming the changes from the contemplated 2016 Financial Plan have been carried out.

In USD million

	Term as of 31 March 2016 <sup>1</sup>				
	2016	2017	2018	2019	2020 onwards
Bank loans – principal .....	98.6	164.4	275.5	348.4	1,124.7
Bank loans – interest .....	36.8	59.1	61.3	60.5	108.2
Bonds – principal .....	-	25.2	0.0	0.0	392.6
Bonds – interest .....	19.0	25.0	24.9	25.1	30.2
Swap - interest.....	8.5	7.5	3.8	2.3	4.6
<b>Total .....</b>	<b>162.9</b>	<b>281.2</b>	<b>365.5</b>	<b>436.3</b>	<b>1,660.3</b>

1 Assuming the changes from the contemplated 2016 Financial Plan have been carried out. See Section 13 "The 2016 Financial Plan" for more information about the 2016 Financial Plan.

### 11.6.2 Credit facilities

The following table sets forth the Group's committed credit facilities as per 31 March 2016.

Facility	Currency	Outstanding amount as per 31 March 2016 (in million)	Interest rate (%)	Maturity date
USD 2,400 million facility	USD	849.9	3 month LIBOR + 2.00% p.a.	9 March 2018
Catcher facility	USD	404.0	3 month LIBOR + 2.50% p.a.	28 May 2024
Joko Tole facility	USD	88.1	3 month LIBOR + 2.50% p.a.	30 June 2018
Umuroa facility	USD	29.0	3 month LIBOR + 2.00% p.a.	9 March 2018
Petróleo Nautipa facility	USD	68.3	3 month LIBOR + 1.70% p.a.	14 September 2022

The following table sets forth the Group's committed credit facilities as per 31 March 2016 assuming the changes from the contemplated 2016 Financial Plan have been carried out.

Facility	Currency	Outstanding amount as per 31 March 2016 (in million)	Interest rate (%)	Maturity date
USD 2,400 million facility	USD	849.9	3 month LIBOR + 2.25% p.a.	9 March 2020
Catcher facility	USD	404.0	3 month LIBOR + 2.50% p.a.	28 May 2024
Joko Tole facility	USD	88.1	3 month LIBOR + 2.50% p.a.	30 June 2018
Umuroa facility	USD	29.0	3 month LIBOR + 2.00% p.a.	9 March 2018
Petróleo Nautipa facility	USD	68.3	3 month LIBOR + 1.70% p.a.	14 September 2022

The following section summarise the material terms of the Group's credit facilities as of 31 March 2016, i.e. prior to the 2016 Financial Plan. For a description of the 2016 Financial Plan, see Section 13 "The 2016 Financial Plan".

The Company's credit facilities comprise one corporate facilities for financing general corporate purposes, and four loan facilities for the purpose of financing FPSOs. Furthermore, the Company has four unsecured bond loans for general corporate purposes. See Section 11.6.3 "Bonds" for a description of the bonds.

#### USD 2,400 million senior secured syndicated credit facilities agreement

On 9 March 2011, BW Offshore Shipholding Limited, Prosafe Production Services Pte. Ltd. (renamed BW Offshore Singapore Pte. Ltd. in 2015) and Prosafe Production Services Pte. Ltd., Australian branch (renamed BW offshore Singapore Pte. Ltd., Australian branch in 2015) as borrowers (all subsidiaries of BW Offshore) entered into a USD 2,400 million seven year senior secured syndicated credit facility (the "**MUSD 2,400 Facility**") at a margin of 200 basis points above LIBOR. The MUSD 2,400 Facility is split into three term loan facilities, whereof one facility is made available to each of the borrowers and initially totalling USD 1,700 million, and revolving facility, initially totalling USD 700 million. The Group had USD 176.2 million undrawn under the revolving credit facility at 31 March 2016.

The term loan made available to BW Offshore Shipholding Limited shall be amortised in 13 semi-annual repayment instalments of USD 42,857,142.86 and a final instalment of USD 42,857,142.82, commencing six months after the date of the agreement. The term loan made available to BW Offshore Singapore Pte. Ltd. shall be amortised in 14

semi-annual repayment instalments of USD 62,500,000, commencing six months after the date of the agreement. The term loan made available to BW Offshore Singapore Pte. Ltd., Australian branch, shall be amortised in 13 semi-annual repayment instalments of USD 16,071,428.57 and a final instalment of USD 16,071,428.59, commencing six months after the date of the agreement.

Each revolving facility loan, unless rolled, shall be repaid on the last day of its interest period.

The MUSD 2,400 Facility is secured by a guarantee and indemnity granted by the guarantors (BW Offshore, the borrowers, unit owners and intra-group charterers) as well as first priority mortgages in 12 FPSO units, assignment of earnings obtained under charter contracts (where applicable), floating charges (where applicable), assignment of insurances and charges over the shares in each of the borrowers and the unit owners.

The key financial covenants are as follows:

- BW Offshore shall procure that the minimum liquidity of the Group shall not at any time fall below USD 75,000,000;
- BW Offshore shall procure that the equity ratio of the Group shall not fall below 25%;
- BW Offshore shall procure that the leverage ratio of the Group shall not exceed 5.50:1; and
- BW Offshore shall procure that the interest cover ratio of the Group shall not fall below 3.0:1.

As at 31 March 2016, the Group's liquidity was USD 286.1 million, equity ratio was 28%, leverage ratio was 2.7 and interest cover ratio was 11.8.

The MUSD 2,400 Facility does not prohibit BW Offshore to pay dividend, buy back its own common shares and/or make similar distributions to its shareholders as long as no default is continuing or would result from such proposed transaction, however limited to a maximum of 50% of BW Offshore consolidated EBITDA on a quarterly basis, and provided that after giving effect to such transaction, BW Offshore remains in compliance with the minimum liquidity covenant and remains in pro forma compliance with the other financial covenants pursuant to the facility going forward.

The MUSD 2,400 Facility contains certain change of control provisions. Pursuant to the change of control provisions, the following shall constitute a change of control event (a "**Change of Control Event**");

- if any person or group of persons acting in concert, other than BW Group or the Sohmen family interest, acquires or gains control (directly or indirectly) of 33 1/3 % or more of the voting rights in BW Offshore, interpreted as if the provisions of Chapter 6 of the Norwegian Securities Trading Act on mandatory offers would become applicable; or
- If any of BW Group or the Sohmen family interest ceases to own or control at least 20% of BW Offshore (similarly interpreted according to the provisions of Chapter 6 of the Norwegian Securities Trading Act).

On and at any time after the occurrence of a Change of Control Event, the agent may, and shall if so directed by the majority lenders, by 60 days prior written notice to BW Offshore (i) cancel the total commitments whereupon they shall immediately be cancelled; (ii) declare that all or part of the loans, together with accrued interest, and all other amounts accrued or outstanding under the finance documents, be due and payable whereupon they shall immediately be due and payable (iii) declare that full cash cover in form and substance satisfactory to the agent in respect of each bank guarantee is immediately due and payable whereupon it shall become immediately due and payable; (iv) exercise any or all of its rights, remedies, powers or discretions under the security documents; and/or (v) take any action, with or without notice to the borrowers, exercise any other right or pursue any other remedy conferred upon the agent or the finance parties by the agreement or by any applicable law or regulation or otherwise as a consequence of the occurrence of such Change of Control Event.

The borrowers may at any time prepay or cancel all or parts of the facilities under the MUSD 2,400 Facility with a no less than five days prior written notice (minimum amounts apply in the case of partial voluntary prepayment or cancellation). Upon any cancellation of the total, the borrowers shall prepay the facility outstanding by an amount sufficient to ensure that the total aggregate amount of the remaining loans and bank guarantees shall constitute no more than the amount of the relevant lenders' available commitment following the cancellation, such prepayment to be made no later than on the day that the relevant cancellation becomes effective. If, after giving effect to the

prepayment of all outstanding loans, the aggregate amount of the outstanding amounts of bank guarantees constitute more than the lenders' available commitment, the obligors (i.e. the borrowers and the guarantors) shall provide cash cover for such exceeding amounts in form and substance satisfactory to the agent. Any prepayment under the agreement shall be made together with accrued interest on the amount prepaid and, subject to any break costs, without premium or penalty.

BW Offshore has a general undertaking under the MUSD 2,400 Facility to remain listed on the Oslo Stock Exchange and/or the Singapore Stock Exchange or such other internationally recognized stock exchange as agreed with the majority lenders.

#### **Up to USD 800 million senior secured pre-and post-delivery term loan facility agreement**

On 15 July 2014, the Group entered into a USD 800 million senior secured pre-and post-delivery term loan facility agreement (the "**Catcher Facility**"), being a project specific bank financing in relation to construction of a FPSO to operate on the Catcher oil field in the UK North Sea, and with BW Catcher Limited as borrower. The FPSO shall be ready for production in 2017. The facility has a margin of 250 basis points above LIBOR during construction period and 225 basis points thereafter. The facility is available for drawing during the construction period and will be repaid with a seven-year tenor after completion.

The Catcher Facility is secured by a guarantee and indemnity granted by BW Offshore and BW Offshore Catcher (UK) Limited, as well as a charge over the shares in BW Catcher Limited and BW Offshore Catcher (UK) Limited, account charges, assignment of insurances, a floating charge and a tripartite assignment agreement between BW Catcher Limited and BW Offshore Catcher (UK) Limited. During the construction phase, the Catcher Facility is secured by a hull construction assignment agreement, an assignment of key construction contracts, and (if applicable) and assignment of refund guarantees. Following hull delivery, the facility will be secured by a mortgage.

The Catcher Facility contains mainly the same key financial covenants as the MUSD 2,400 Facility. The Catcher Facility contains identical dividend provisions and stock exchange listing undertakings on part of BW Offshore as the MUSD 2,400 Facility. The Catcher Facility also contain identical change of control provisions as the MUSD 2,400 Facility, save for item (iii) referred to above (i.e., on and at any time after the occurrence of a Change of Control Event, the Agent may or shall as applicable "declare that full cash cover in form and substance satisfactory to the agent in respect of each bank guarantee is immediately due and payable whereupon it shall become immediately due and payable"), which does not apply to the Catcher Facility.

#### **USD 284.6 million financing facility**

On 31 May 2013, the Group entered into a USD 284.6 million financing facility relating to the FPSO BW Joko Tole (the "**Joko Tole Facility**"), with PT BW Offshore TSB Invest as borrower. The Joko Tole Facility is split between a USD 250 million term loan facility and a USD 34.6 million guarantee facility. The term loan will be repaid in quarterly instalments and has final maturity in 2018. The facility has a margin of 250 basis points above LIBOR.

The Joko Tole Facility is secured by a guarantee and indemnity by BW Offshore, as well as various project related security.

The Joko Tole Facility contains mainly the same key financial covenants and identical dividend provisions and stock exchange listing undertakings on part of BW Offshore as the MUSD 2,400 Facility. In the event of a change of control (which is defined similarly as a Change of Control Event under the MUSD 2,400), the agent shall if so directed by the majority lenders, by notice to the borrower and with effect from the date falling sixty days thereafter cancel the total commitments. The borrower shall on the date such cancellation takes effect prepay the loan in full, and if such cancellation occurs at any time prior to the bank guarantee termination date immediately provide cash cover in form and substance satisfactory to the issuing bank in an amount equal to the bank guarantee amount.

#### **USD 130 million senior secured reducing revolving credit facility agreement**

On 30 October 2009, the Group entered into a senior secured reducing revolving credit facility agreement with Prosafe Production Services Pte. Ltd., New Zealand branch (renamed BW Offshore Singapore Pte. Ltd., New Zealand branch in 2015) as borrower, in respect of the FPSO Umuroa (the "**Umuroa Facility**"). The total initial availability under the facility was USD 130 million. The loan was extended and final maturity date is 9 March 2018. The availability on the Umuroa Facility is reduced by USD 1 million four times a year, followed by a balloon payment of USD 22.0 million in 2018. The facility has a margin of 200 basis points above LIBOR.

The Umuroa Facility is secured by a guarantee and indemnity granted by BW Offshore, as well as a unit mortgage, assignment agreements and an account charge. The facility contains mainly the same key financial covenants, dividend provisions and stock exchange listing undertakings on part of BW Offshore as the MUSD 2,400 Facility. The change of control provisions are similar to those applicable to the Catcher Facility.

#### Up to USD 80 million senior secured term loan facility agreement

On 25 March 2015, the Group entered into a USD 80 million senior secured term loan facility in respect of the FPSO Petróleo Nautipa (the "**Petróleo Nautipa Facility**"). The loan has a tenor of 7.5 years and will be used for general corporate purposes. The facility has a margin of 170 basis points above LIBOR.

The Petróleo Nautipa Facility is secured by a guarantee and indemnity granted by the guarantors (i.e. BW Offshore, Nautipa AS and Tinworth Pte. Ltd.), as well as a unit mortgage, share charges, account charges, assignment of earnings and assignment of insurances. The facility contains mainly the same key financial covenants, dividend provisions and stock exchange listing undertakings on part of BW Offshore as the MUSD 2,400 Facility. The change of control provisions are similar to those applicable to the Catcher Facility.

#### 11.6.3 Bonds

The following table sets forth the Group's committed bond debt as per 31 March 2016.

Facility	Currency	Outstanding amount as per 31 March 2016 (in million)	Interest rate (%)	Maturity date
BWO01 – NOK 500 million bond	NOK	500	3 month NIBOR + 4.25% p.a.	15 March 2017
BWO02 – NOK 500 million bond	NOK	500	3 month NIBOR + 4.15% p.a.	21 March 2018
BWO03 – NOK 750 million bond	NOK	750	3 month NIBOR + 3.50% p.a.	11 March 2019
BWO04 – NOK 900 million bond	NOK	900	3 month NIBOR + 4.25% p.a.	16 June 2020

The following table sets forth the Group's committed bond debt as per 31 March 2016 assuming the changes from the contemplated 2016 Financial Plan have been carried out.

Facility	Currency	Outstanding amount as per 31 March 2016 (in million)	Interest rate (%) <sup>1</sup>	Maturity date
BWO01 – NOK 500 million bond	NOK	500	3 month NIBOR + 4.25% p.a.	15 March 2020
BWO02 – NOK 500 million bond	NOK	500	3 month NIBOR + 4.15% p.a.	21 September 2020
BWO03 – NOK 750 million bond	NOK	750	3 month NIBOR + 3.50% p.a.	11 March 2021
BWO04 – NOK 900 million bond	NOK	900	3 month NIBOR + 4.25% p.a.	16 March 2022

<sup>1</sup> Increase of margin to 450 bps in the period from the respective original maturity date until the respective new maturity date.

The following section summarises the material terms of the Group's bond loans as of 31 March 2016, i.e. prior to the 2016 Financial Plan. For a description of the 2016 Financial Plan, see Section 13 "The 2016 Financial Plan".

BW Offshore has issued four series of NOK-denominated senior unsecured debt obligations, each with Nordic Trustee ASA as bond trustee on behalf of the bondholders. The following bonds are outstanding:

- BWO01- BW Offshore Limited 12/17 FRN C
- BWO02 – BW Offshore Limited 13/18 FRN C
- BWO03 – BW Offshore Limited 14/19 FRN
- BWO04 – BW Offshore Limited 15/20 FRN

Each series of bonds ranks pari passu between themselves, and at least pari passu with all other obligations of BW Offshore, subject to bankruptcy, insolvency, liquidation and other similar laws of general application, and rank ahead of subordinated debt. The bonds are unsecured. The proceeds of the bonds were used for general corporate purposes.

The bonds include standard covenants customary in the Norwegian bond market, relating to inter alia information undertakings, delivery of compliance certificates, notifications of default, continuation of business, restrictions on disposals, restrictions on mergers, demergers and other corporate reconstructions, arm's length transactions,

ownership to material subsidiaries.

Furthermore, the bonds include standard event of default provisions, and also include certain financial covenants, including minimum book equity of at least 25% of total assets and minimum USD 75 million available liquidity including undrawn amounts available for utilisation by the Group. The bonds also include change of control and a put option provision, and call options in BWO01 and BWO02.

Please refer to notes 17 and 19 to the Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporation by reference" for more information on the Group's outstanding bonds.

#### *11.6.4 Off-balance sheet arrangements*

The Company does not have any off-balance sheet arrangements as at 31 March 2016.

### **11.7 Financial risk management**

The Group's central finance division is responsible for financing, treasury management and financial risk management.

#### ***Financial risk factors***

Activities expose the Group to a variety of financial risks: Price risk (including currency risk and market risk), credit risk, liquidity risk and interest rate risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. A finance management team, led by the Chief Financial Officer identifies and evaluates financial risks in close co-operation with the Group's operating units. The finance management teams' activities are governed by policies approved by the Board of Directors for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity. The finance management team will report to the Group's Management, the Audit Committee and the Board of Directors on the status on activities on a regular basis.

The Group does not use financial instruments, including financial derivatives, for trading purposes.

#### ***Market risk***

Historically, demand for offshore exploration, development and production has been volatile and closely linked to the oil price. Low oil prices typically lead to a reduction in exploration as the oil companies scale down their own investment budgets. Most of the Group's units at 31 March 2016 are fixed on long-term contracts, and this, to some extent, reduces the Group's exposure against intermediate oil and gas price fluctuations. Nevertheless, a decrease in the oil prices may have an adverse impact on the financial position of the Group through non-exercise of options under existing contracts and lack of redeployment opportunities for units that are coming off contract. The fleet asset values have been assessed according to a value-in use methodology, with balanced assumptions on the likelihood of option periods and future redeployments. A prolonged market with low oil price might require assumptions to be changed, which in turn can result in impairments on assets.

#### ***Foreign currency risk***

The functional currency of the Company and most of its subsidiaries is USD. In general, most operating revenues and a significant portion of operating expenses as well as most interest-bearing debt are denominated in USD. The Group is exposed to expenses and investments incurred in currencies other than USD (foreign currencies); the major currencies being Norwegian Kroner (NOK), Singapore Dollars (SGD), British Pounds (GBP), Brazilian Reals (BRL), Japanese Yen (JPY) and Euro (EUR). Operating expenses denominated in NOK, SGD, BRL, GBP and EUR constitute a part of the Group's total operating expenses. Capital expenditures related to construction, conversion and life extension activities on FPSOs will also to some extent be denominated in other currencies than USD. Consequently, fluctuations in the exchange rate on NOK, SGD, GBP, BRL, JPY and EUR may have significant impact on the financial statements of the Group.

The Group enters into forward/futures contracts in order to reduce the exchange-rate risk on cash flows nominated in foreign currencies, both related to construction and conversion projects and to operating and administrative expenses. The exchange-rate risk is calculated for each foreign currency and takes into account assets and liabilities, liabilities not recognised in the balance sheet and expected purchases and sales in the currency in question. Currency hedges and other currency effects include changes in fair value of currency hedges, effects or settlement of these hedges, and other currency effects related to operating cash flows. To the extent possible, most of the cash flows in foreign

currencies related to construction and conversion projects have been hedged. As a consequence, the Group's exposure to fluctuations in foreign currencies against USD will be limited.

Total nominal value of the Group's FX contracts was USD 206.7 million at 31 March 2016. Fair value on foreign exchange contracts amounted to negative USD 9.9 million (compared to USD 232.2 million and negative USD 24.9 million at 31 December 2015) and are presented gross in the statement of financial position. Net effect of forward exchange contracts recognised in the income statement in 2015 is negative by USD 0.4 million.

The Group is exposed to foreign currency risk on bonds issued in NOK, respectively bond BWO01, BWO02, BWO03 and BWO04. The Group had per 31 March 2016 issued bonds totalling NOK 2,650 million. The foreign currency exposure on bond BWO01, BWO02 and BWO03 are hedged through cross-currency interest swaps with a nominal value of USD 300.8 million, while BWO04 is hedged through cross-currency swaps with a nominal value of USD 117 million. The market value of the cross-currency interest swaps and the cross-currency swaps were negative by USD 111.2 million at 31 March 2016, compared to negative USD 133.2 million at 31 December 2015. The Group applies hedge accounting for the cross-currency interest swaps.

The Group also applies hedge accounting for the foreign exchange hedging related to the construction contract for Catcher. Hedge transactions will take place during the construction phase in 2016 and 2017 and derivatives are entered to match the respective payments. USD 13.2 million at 31 December 2015 (USD 0.5 million in 2014) of cash flow hedges in Other comprehensive income has been capitalised as vessel under construction. The ineffective part of cash flow hedges recognised in the Income Statement is zero in 2015 (negative by USD 1.3 million in 2014).

The net effect of the hedge accounting recognised in other comprehensive income amounts to USD 1.6 million at 31 December 2015 (compared to a negative effect of USD 16.5 million in 2014).

### **Credit risk**

Most of the Group's clients contracts are long-term. The Group assesses the credit quality of the clients on a regular basis, taking into account its financial position, past experience and other factors. There are no guarantees that the financial position of the Group's major clients will not materially change during the contracted period as it happens from time to time that clients decides to sell the production license which exposes the Group to a new client on an existing lease contract. The Group will normally have contractual clauses to prevent a client to novate the lease contract without consent. Given the limited number of major clients of the Group and the significant portion these represent to the Group's income, the inability of one or more of them to make full payment on any of the Group's contracted units may have a significant adverse impact on the financial position. The Group observes that the counterparty credit risk has increased due to lower oil prices. However, as most of the Group's portfolio is with historically solid counterparties, where a significant number are also rated by international credit rating agencies, the Group believes that the credit risk related to counterparties is at a manageable level.

Another risk factor to be addressed is whether negative reservoir development may affect the oil company's ability to fulfil its obligations within the fixed contract. The probability for options to be exercised and extension of contracts to be entered into will be negatively affected by a reduction in actual reservoir reserves. It is common for clients, i.e. the oil companies, to contract the firm period for the FPSO lease corresponding to the expected producing life of the reserves. During 2015 BW Offshore has seen a continuing drop in the oil price. A low oil price creates an additional risk factor where the price of oil is so low that it does not create sufficient cash flow for the oil companies to carry out their obligations during the fixed contract term. The existing contracts are seeking to protect BW Offshore against these risks through termination fees, cash-flow arrangements and financial and corporate guarantees. However there are situations where the Group might suffer losses due to situations beyond the Group's control. The Group will continue its active risk management to mitigate these risk factors. This is, amongst other things, done through regular evaluation of counterparties and their financial situation, as well as through having a close dialogue with clients.

The Group observed that overdue trade receivables were USD 60.7 million at 31 March 2016, compared to USD 74.8 million at the end of 2015. The overdue situation was mainly related to units operating in West Africa. There is a risk that overdues will increase going forward if the Company is not able to settle the dispute with Addax Petroleum Exploration (Nigeria) for the lease of the FPSO Sendje Berge. The client has for some time only paid partial payments. The Company has initiated arbitration proceedings against Addax Petroleum Exploration (Nigeria) for unpaid rate and other amounts, see Section 8.10 "Legal proceedings".

The Group is also exposed to certain credit risk related to agreements entered into with clients such as yards used for conversions. The Group manages its exposure to such risks through a thorough evaluation of the counterparty and

subsequently by continuously monitoring of larger counterparties. For the current yard contract for the construction of FPSO BW Catcher, there is a refund guarantee from a bank in favour of BW Offshore's advanced payments during construction.

The Group has policies that limit the amount of credit exposure against any financial institution. Cash deposits, derivatives and financial guarantees are predominantly maintained with investment grade financial institutions. The maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet except for financial guarantees.

The Group regards its maximum credit risk exposure to the carrying amount of trade receivables, other current assets and financial lease receivables.

### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations and its investment program via short-term cash deposits at banks and a commitment to make available funds from the unutilised portion of revolving facilities offered by financial institutions to the Company.

The Group monitors the liquidity through cash flow forecasting of operational and investment activities in the short, medium and long-term.

From a liquidity perspective, several events have happened in 2015 that have increased the liquidity risk, and consequently the risk of a breach of the Group's liquidity covenants.

Due to the accident with Cidade de São Mateus in early 2015, the Group will not have any income on this unit, when loss of hire insurance will discontinue in May 2016, until the FPSO has been repaired and is back in production for the client. The continued drop in oil price has also made it more economically challenging for clients that have marginal production, which has increased the risk that extension options will not get exercised and consequently that income on certain units will disappear earlier than previously anticipated. The same macro environment has also made it more challenging to redeploy units that are coming off contract. BW Offshore has since 2012 been using the bond market to provide an additional liquidity base. However, in the current macro-economic environment this market does not seem available for the oil and gas companies.

Considering the above, the undrawn portion of the revolving credit facility ("RCF") constitutes a significant portion of the Group's liquidity reserve. The Group will need to make additional drawings on the RCF during the coming year. In 2016 the most critical covenant, which the Group will have to comply with is the minimum liquidity covenant of USD 75 million. While the actual minimum liquidity was above this level at year-end 2015, there is a risk, due to downpayments of debt and capital commitments on newbuildings and life extension programs, that the minimum liquidity may decrease to be close to or go below USD 75 million.

In the event that the Group end up breaching the liquidity (or any other) covenant, this would represent an event of default under the loan and bond agreements. In such case the Group may be able to receive a waiver for the breach. Should such breach continue without a waiver or remediation by the Group, the RCF agent and bond holders could ultimately declare default and demand a repayment, which again would represent an event of default in most of the Group's other loan agreements.

One of the objectives of the 2016 Financial Plan is to resolve the Group's liquidity risk, and ensure that there will be no breach of the liquidity (or other) covenants.

### **Interest rate risk**

The Group is exposed to interest rate risk through its funding activities. All of the Group's interest-bearing debt has floating interest rate conditions, affecting the Group by changes in the market rates. The Group aims to hedge at least 50% of its interest rate exposure.

As at 31 March 2016 the Group's floating rate debt amounted to USD 1,760.0 million (USD 1,762.1 million as at 31 December 2015).

The Group holds interest rate swaps with a nominal value of USD 800 million in total with maturity during 2016-2024. The weighted average interest swap rate was 2.30% at 31 March 2016. The swaps are held to hedge the quarterly cash flows from floating rate interest payments on the USD 2,400 million loan facility and the USD 800 million credit facility. The market value of the interest swaps were negative by USD 24.3 million at 31 March 2016 (compared to negative USD 15.7 million at 31 December 2015) and the changes in fair value has been recognised as a fair value loss on financial instruments.

The cross-currency interest swaps held to hedge the BWO01, BWO02 and BWO03 bonds also hedge the interest rate risk on these bonds. The Group applies hedge accounting for the cross-currency interest swaps.

The effect on fair value of interest hedges as a result of changes in interest rates is not taken into account in this calculation. Of the total floating interest-bearing debt of USD 1,760.2 million, USD 997.4 million is hedged.

Average interest rate on cash deposits was 0.19% in 2015 (0.24% in 2014).

### **Fair values**

IFRS 13 requires disclosures of fair value measurements by the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of the Group's currency hedges is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value (level 2). This is presented on separate lines in the statement of financial position.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves (level 2). The fair value of the cross-currency interest rate swaps is presented as non-current liabilities in the balance sheet.

The fair value of bonds has been measured in level 1 of the FV hierarchy. Other loans have been measured in level 3. The difference between carrying amount and fair value mainly relates to amortised loan costs. The Group has not made observations indicating that there are any significant differences between fair value and carrying amount.

### **Capital structure and equity**

Capital structure is monitored by the Group. The primary focus of the Group's financial strategy is to ensure a healthy capital structure to support its business, fulfil all financial obligations and maximise shareholder values.

The Group also monitors and manages its capital structure in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to its shareholders, return capital to shareholders or issue new shares. In May 2011, the Group initiated quarterly payments of dividend limited to 20-25% of EBITDA. However, in light of the near term reduction in industry activity levels, the Group has decided to suspend dividend payments until market visibility improves. Furthermore, as part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to the distribution of dividends. See Section 13 "The 2016 Financial Plan".

Construction and conversion projects will normally be funded through current loan facilities and/or specific project loan facilities equalling 70-80% of the cost of the project. Project loan facilities can be established either before a contract for the conversion project is signed, during the conversion phase of a project or when the FPSO commence operation.

The Group has since 2012 issued bonds in NOK. Going forward the Group will consider to continue issuing bonds if it provides competitive funding as an alternative to traditional bank financing.

The Company has no specific targeted equity ratio. However, the loan facilities of the Group have certain covenants related to equity and equity ratio, both closely monitored by the Company.

**11.8 Significant change**

Other than the launch of, and amendments comprised by, the 2016 Financial Plan as further described in Section 13 "The 2016 Financial Plan", there have been no significant changes in the financial or trading position of the Group since the date of the Interim Financial Statements for the three months ended 31 March 2016, which have been incorporated by reference into the Prospectus, see Section 20.3 "Incorporation by reference".

## 12 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

### 12.1 Board of Directors

#### 12.1.1 Overview of the Board of Directors

The Board of Directors is responsible for the overall management of the Company and may exercise all of the powers of the Company not reserved to the Company's shareholders by its Bye-laws or Bermuda law. The Bye-laws provide that the Company's Board of Directors shall consist of not less than two Directors or such number in excess thereof as the shareholders may determine. The Directors are elected by the shareholders at the relevant annual general meeting or any special general meeting called for that purpose, unless there is a casual vacancy, and the shareholders may authorise the Board of Directors to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board of Directors occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board of Directors, the Board of Directors has the power to appoint a Director to fill the vacancy.

The current Board of Directors consists of six Directors, as listed in the table in Section 12.1.2 "The Board of Directors" below.

Pursuant to the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the "**Corporate Governance Code**"), (i) the majority of the shareholder-elected members of the Board of Directors should be independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected members of the Board of Directors should be independent of the Company's main shareholders (shareholders holding more than 10% of the Shares in the Company), and (iii) no members of the Company's executive management should be on the Board of Directors.

With the exception of Andreas Sohmen-Pao and Carsten Mortensen, all Directors are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the Shares in the Company). Andreas Sohmen-Pao is not independent from BW Group, the largest shareholder in BW Offshore, as BW Group is controlled by corporate interests associated with the Sohmen family. Carsten Mortensen is the CEO of BW Group. All of the Directors are independent of the Management and Management is not represented on the Board of Directors.

The Company's registered office address at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, serves as the business address for the Directors in relation to their directorships of the Company.

As at the date of this Prospectus, none of the Directors hold any options or other rights to acquire Shares.

#### 12.1.2 The Board of Directors

The names and positions, current term and shareholding of the Directors are set out in the table below.

Name	Position	Served since	Term expires	Shares
Andreas Sohmen-Pao .....	Chairman	2005	AGM 2017	0 <sup>1</sup>
Christophe Pettenati-Auzière .....	Deputy Chairman	2006	AGM 2018	1,000,000
Clare Spottiswoode .....	Director	2013	AGM 2018	0
Maarten R. Scholten .....	Director	2010	AGM 2017	596,000
Carsten Mortensen .....	Director	2015	AGM 2018	0
Thomas Thune Andersen .....	Director	2016	AGM 2017	0

1 BW Group Limited owns 342,312,248 Shares. BW Group is approximately 93% owned by a company controlled by corporate interests associated with the Sohmen family.

#### 12.1.3 Brief biographies of the Directors

Set out below are brief biographies of the Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a Director is or has been a member of the administrative, management or supervisory bodies or partner the previous five years.

##### **Andreas Sohmen-Pao, Chairman**

Andreas Sohmen-Pao joined the then World-Wide Shipping in London in 1999 and has held various positions within BW Group. Mr Sohmen-Pao is currently Chairman of BW Group, BW LPG Limited and BW Pacific Limited, and was Chief Executive Officer of BW Group from September 2004 to March 2015. He is Chairman of the Singapore

Maritime Foundation and also a non-executive director of Sport Singapore, Singapore National Parks Board and Singapore Symphonia Company Limited. Mr Sohmen-Pao has served as a non-executive director of The Hongkong and Shanghai Banking Corporation, the Maritime and Port Authority of Singapore and The Esplanade Co Ltd amongst others. Prior to joining BW, he worked at Goldman Sachs International in London. Mr Sohmen-Pao was educated at Oxford University in England, from which he graduated in 1993 with a double first class honours degree in Oriental Studies. He also holds an MBA with distinction from Harvard Business School. Mr Sohmen-Pao is an Austrian citizen.

*Current directorships and senior management positions ..... BW Group Limited (Chairman), BW LPG Limited (Chairman), BW Pacific Limited (Chairman), BW Maritime Pte Ltd (Director), Sport Singapore (Board member), National Parks Board (Board member), Singapore Maritime Foundation (Chairman), Womar Holdings LLC (Director), Esprit Ventures Limited (President), Newton Company S.A. (Vice President and Treasurer), Skymark Company S.A. (Vice President), BW Ventures Limited (Director), BW Ventures Limited (Director), Golden Alpha Pte. Ltd. (Chairman) and Singapore Symphonia Company Limited (Director).*

*Previous directorships and senior management positions*

*last five years ..... The Hongkong and Shanghai Banking Corporation Ltd (Non-Executive Director), The Esplanade Co Ltd (Board member), Maritime and Port Authority of Singapore (Board member), BW Tankers Limited (Director), BW Gas Limited (Director), BW Shipping Limited (Director), BW Ventures Pte. Ltd. (Director), Advanced Marine Coatings Limited (Director) and BW Offshore subsidiaries (subsidiary directorship).*

### **Christophe Pettenati-Auzière, Deputy Chairman**

Christophe Pettenati-Auzière is a retired former Oil Services Senior Executive. Until 2008, he was President of CGG Veritas Services in Paris. Mr Pettenati-Auzière joined CGG in 1996, and has held several senior management positions in the group. Before joining CGG, Mr Pettenati-Auzière worked with Coflexip for 14 years, where his latest position was as Corporate Vice President, International and Industrial Operations. Before Coflexip, Mr Pettenati-Auzière also worked for Exxon and Schlumberger. Mr Pettenati-Auzière holds a Master of Science in Electrical Engineering from Institut National Polytechnique de Grenoble, France, and an MBA from INSEAD, Fontainebleau, France. Mr Pettenati-Auzière is a French citizen.

*Current directorships and senior management positions ..... -*

*Previous directorships and senior management positions*

*last five years ..... -*

### **Clare Spottiswoode CBE, Director**

Clare Spottiswoode is an experienced non-executive director, holding positions in businesses spanning industries such as energy, technology and financial services. She is a non-executive director of G4S plc, Magnox Limited, EnQuest PLC and Royal Bank of Canada's London-headquartered European subsidiary. From 1993 to 1998, Ms Spottiswoode served as Director General of Ofgas, the regulator of the gas industry in the United Kingdom and was instrumental in introducing competition into energy markets. Ms Spottiswoode was a member of the Independent Commission on Banking for the UK Treasury advising the Government on reforming the banking sector. The Commission's recommendations have been accepted by the Government, and virtually all are in the process of being enacted by Parliament. Ms Spottiswoode was also a non-executive director of Tullow Oil plc from 2002 to 2011. A mathematician and an economist by training, Ms Spottiswoode began her career at HM Treasury, the United Kingdom's economic and finance ministry. Ms Spottiswoode is a British citizen.

*Current directorships and senior management positions ..... G4S plc (Board member), Magnox Limited (Board member) and Royal Bank of Canada Europe Limited (Board member).*

*Previous directorships and senior management positions*

*last five years ..... EnQuest PLC (Board member).*

### **Maarten R. Scholten, Director**

Maarten R. Scholten is General Counsel of Total SA. Mr Scholten is also Chairman of the Supervisory Board of LSP Advisory BV, a privately held biotech investment company and Director of Ayursundra B.V., a medical facilities company active in India. Mr Scholten has almost 30 years of extensive legal and financial experience from the oil service industry, including two decades in senior and executive positions at Schlumberger. During his career at Schlumberger, Mr Scholten was Director of Legal Service, Head of Finance, President Schlumberger Oilfield Services ECA (Europe, Africa and CIS), and Director Mergers & Acquisitions/Business Development. From 2006 to 2009 he was Co-founder and Co-executive Director of Delta Hydrocarbons SA. Mr Scholten holds a Master of Science in politics from

the University of Paris (Sorbonne) and a JD Commercial Law from the University of Amsterdam. Mr Scholten is a Dutch citizen.

*Current directorships and senior management positions ..... LSP Advisory BV (Chairman of Supervisory Board) and Ayursundra B.V. (Director).*

*Previous directorships and senior management positions*

*last five years ..... NordEnergie Renewables AS (Director).*

### **Carsten Mortensen, Director**

Carsten Mortensen has been the CEO of BW Group since April 2015 and is also a board member in BW LPG Limited and BW Pacific Limited. Mr Mortensen has 28 years of shipping experience, of which 11 years were spent at A.P. Møller-Maersk and 17 at D/S Norden. His previous appointments include CEO of Dampskibsselskabet NORDEN A/S from 2005 to 2014 and Managing Director of Maersk Broker (UK) Ltd from 1995 to 1997. Mr Mortensen was a board member of the Danish Shipowners Association (DSA) and its chairman from 2011 to 2014. He served as board member of the International Chamber of Shipping (ICS) from 2009 to 2011. From 2012 to 2013, he chaired "Vækstteam" (or Growth Team), an initiative by the Danish Government to create jobs in the Danish Maritime Cluster. Mr Mortensen received his training in shipping at the Maersk Shipping School and further executive qualifications from INSEAD, Wharton and IMD. He holds a graduate diploma degree in International Business (HD-U) from Copenhagen Business School. Mr Mortensen is a Danish citizen.

*Current directorships and senior management positions ..... BW LPG Limited (Non-Executive Director), BW Pacific Limited (Non-Executive Director), CAMO Shipping ApS (Director) and BW Group subsidiaries (subsidiary directorship).*

*Previous directorships and senior management positions*

*last five years ..... Danish Shipowners Association (Chairman), International Chamber of Shipping (Board member), Vækstteam (Growth Team) (Chairman) and Dampskibsselskabet Norden subsidiaries (subsidiary directorship).*

### **Thomas Thune Andersen, Director**

Thomas Thune Andersen has more than 35 years experience in the shipping and oil industry, starting in the A.P. Møller-Mærsk Group, where he held various positions, including Chief Executive Officer of Mærsk Oil, Partner and Executive Vice President of A.P. Møller - Mærsk, as well as several other management positions. His board portfolio consists of directorship in several companies, both listed and private, mainly within the oil, energy and marine sector and related critical infrastructure. He is currently inter alia the Chairman of the board of DONG Energy A/S, Lloyd's Register Foundation and Lloyd's Register Group Services, a senior independent director of Petrofac Services Limited, and the Vice Chairman of the board of VKR Holding A/S. Prior to this Chairman in DeepOcean Holding BV and Scottish and Southern plc. Mr Andersen has attended Advanced Executive Programme, Economics at Harvard University and Senior Management Programme at Columbia University, and holds a Graduate Diploma in Foreign Relations (HD) from Copenhagen Business School. Mr Andersen is a Danish citizen.

*Current directorships and senior management positions ..... Lloyd's Register Group Services (Chairman), Lloyd's Register Foundation (Chairman), DONG Energy A/S (Chairman), Petrofac Services Limited (Senior independent director), VKR Holding A/S (Vice Chairman) and Arcon-Sunmark A/S (Non-Executive Director).*

*Previous directorships and senior management positions*

*last five years ..... DeepOcean Holding BV (Chairman and Board member).*

## **12.2 Management**

### **12.2.1 Overview**

The Company's senior management team consists of eight individuals. The names of the members of Management as at the date of this Prospectus, and their respective positions, are presented in the table below:

<b>Name</b>	<b>Current position within the Group</b>	<b>Employed with the Group since</b>	<b>Shares</b>
Carl K. Arnet .....	Chief Executive Officer	2008 <sup>1</sup>	7,499,081 <sup>1</sup>
Knut R. Sæthre .....	Chief Financial Officer	2007 <sup>2</sup>	645,906
Rune Bjorbekk.....	Chief Commercial Officer	2010 <sup>3</sup>	600,000
Marco Beenen .....	Chief Operating Officer	2012	100,000
Kei Ikeda .....	Head of Projects	2012	0
Hans Kristian Langsrud.....	Head of Engineering	2011	0
Magda Karim Vakil.....	Head of Legal	2008	55,000

<b>Name</b>	<b>Current position within the Group</b>	<b>Employed with the Group since</b>	<b>Shares</b>
Rebekah France.....	Head of Human Capital	2011	0

- 1 Carl K. Arnet was employed with APL since 1996.
- 2 Knut R. Sæthre was employed with APL since 2005.
- 3 Rune Bjorbekk was employed with APL since 1995.

The Company's registered office address at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, serves as the business address for the members of Management in relation to their employment with the Company.

As at the date of this Prospectus, none of the members of the Management holds any options or other rights to acquire Shares, except as set out in Section 12.3.4 "Share options to the Chief Executive Officer".

#### 12.2.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of Management, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years.

#### **Carl Krogh Arnet, Chief Executive Officer**

Carl Krogh Arnet holds the position as Chief Executive Officer of BW Offshore. Mr Arnet has been employed as the Chief Executive Officer of BW Offshore since 1 September 2008 and the Managing Director of APL since 1996. Prior to joining APL, Mr Arnet had various positions at Norsk Hydro in the period from 1981 to 1996, including Offshore Installation Manager and Vice President. He holds a M.Sc. from the Norwegian University of Science and Technology (NTNU) and an MBA from the Norwegian School of Management (BI). Mr Arnet holds a number of other board memberships and chairmanships in companies not related to the oil and gas sector. Mr Arnet is a Norwegian citizen.

*Current directorships and senior management positions ..... Maritime and Port Authority of Singapore (Director) and Kolbjørn Invest I AS (Director).*

*Previous directorships and senior management positions last five years ..... Nofamo Greåkerveien 85 AS (Vice Chairman), Nofamo AS (Vice Chairman), Wireless Net Communications AS (Vice Chairman) and Nexus Floating Production Ltd (Vice Chairman).*

#### **Knut R. Sæthre, Chief Financial Officer**

Knut R. Sæthre joined BW Offshore in December 2007 as Chief Financial Officer. Mr Sæthre came from the position as Finance Director of APL (Advanced Production & Loading) Plc and President of APL Norway. Mr Sæthre has his background within finance and the oil service industry, and has 25 years of international experience. He was previously employed by Aker Kværner and ABB, holding several executive positions, like Senior Vice President and CFO. He holds a lic.rer.pol. degree from the University of Fribourg, Switzerland and an MBA degree in strategic management from the Norwegian School of Economics and Business Administration (NHH). Mr Sæthre holds a number of directorships. Mr Sæthre is a Norwegian citizen.

*Current directorships and senior management positions ..... Dronningensgate 33 AS (Board member).*

*Previous directorships and senior management positions last five years ..... -*

#### **Rune Bjorbekk, Chief Commercial Officer**

Rune Bjorbekk holds the position as Chief Commercial Officer of BW Offshore. Mr Bjorbekk has 20 years' experience from the oil and gas contracting sector, starting in APL (Advanced Production & Loading) in 1995. Within APL he has held several positions including Project Manager, Fabrication Manager and Head of Supply Chain. In BW Offshore, Mr Bjorbekk has held several responsibilities including Project Manager, VP Modification Projects and SVP Asset Management & Commercial in the operating division. Mr Bjorbekk is responsible for all commercial activities company-wide. He holds a M.Sc. in Offshore Technology from the University of Stavanger, Norway. Mr Bjorbekk is a Norwegian citizen.

*Current directorships and senior management positions ..... -*

*Previous directorships and senior management positions last five years ..... -*

**Marco Beenen, Chief Operation Officer**

Marco Beenen holds the position as Chief Operation Officer. He joined BW Offshore in 2012. His areas of responsibility include the global operations and development of BW Offshore's fleet of FPSOs and FSOs. With over 20 years' experience in the Oil and Gas industry, Mr Beenen joined BW Offshore as Vice President Business Development followed by the position as Senior Vice President Fleet, responsible for the operations in West Africa. Prior to joining BW Offshore, Mr Beenen has held executive positions in the Netherlands and USA as President of GustoMSC Inc and Vice President Engineering with SBM Offshore. He holds a Master Degree in Naval Architecture and Offshore Hydrodynamics of Delft University of Technology. Mr Beenen is a Dutch citizen.

*Current directorships and senior management positions ..... -  
 Previous directorships and senior management positions  
 last five years ..... SBM Atlanta Inc. (VP Engineering).*

**Kei Ikeda, Head of Projects**

Kei Ikeda holds the position as Head of Projects. He joined BW Offshore in 2012. His areas of responsibility spans full cycle Project delivery including project management, project services, construction & commissioning, HSEQ and offshore installation. Prior to joining BW Offshore, Mr Ikeda spent 14 years with Modec as Project Engineer and subsequently Project Manager responsible for delivery of a number of successful FPSO projects. Mr Ikeda joined BW Offshore as Project Manager, thereafter holding the position of Senior Vice President Project Execution before he became Head of Projects. Mr Ikeda holds Bachelor and Master Degrees both in Mechanical Engineering from Tokyo University, Japan. Mr Ikeda is Japanese citizen.

*Current directorships and senior management positions ..... -  
 Previous directorships and senior management positions  
 last five years ..... -*

**Hans Kristian Langsrud, Head of Engineering**

Hans Kristian Langsrud holds the position as Head of Engineering. His areas of responsibility is the technical assurance of the fleet through engineering and technical support for projects & operations. Mr Langsrud has 20 years of experience from the oil & gas industry. He has worked on many different types of offshore and onshore developments, floaters and fixed platforms. Mr Langsrud started his career in Astilleros Espanoles, focusing on Shuttle tankers and FPSOs, but he soon moved on to what is now Aker Solutions. At Aker he worked with engineering for greenfield oil & gas development projects. He held a position as Engineering Manager when he left the company in 2011 to join BW Offshore. Mr Langsrud joined BW Offshore as Engineering Manager and has held the position of Senior Vice President for Engineering since 2012. Mr Langsrud holds a Master of Science degree in Marine Technology, from the Norwegian University of Science and Technology (NTNU) in Trondheim. Mr Langsrud is a Norwegian citizen.

*Current directorships and senior management positions ..... -  
 Previous directorships and senior management positions  
 last five years ..... -*

**Magda Karim Vakil, Head of Legal**

Magda Karim Vakil holds the position as Head of Legal. Ms Vakil joined BW Offshore in 2008 as a member of the Corporate and Strategic Development division. She is currently responsible for all legal affairs of the Company. Ms Vakil has over 20 years of international experience, including in-house positions mainly within the oil & energy and finance sectors (Norsk Hydro ASA and NBIM) and private practice work as a transactional, corporate and finance lawyer (Allen & Overy, Slaughter & May and VSCF). She graduated with a Law Degree and completed a Masters in EU Law from the Law faculty University of Lisbon in Portugal. She is admitted to the Portuguese bar and she qualified as an English Solicitor with College of Law in London. Ms Vakil is a Portuguese citizen.

*Current directorships and senior management positions ..... -  
 Previous directorships and senior management positions  
 last five years ..... -*

**Rebekah France, Head of Human Capital**

Rebekah France holds the position as Head of Human Capital. Her role is to "enable business through people" by facilitating and supporting line managers in the areas of organizational culture, structure and development, staffing, competence development, performance management and rewards. Mrs France joined BW Offshore in 2011, and came from the position as Senior Vice President HR and Communications in BW Maritime and BW Gas where she worked for

eight years. Prior to that she spent five years in Public Relations handling the Microsoft and Compaq accounts in India as Account Director at Text 100 Public Relations. Previously Mrs France worked in Finance at Kraft Foods (Asia Pacific) in Hong Kong and in Conference Management for APEC in Manila. She also has brief experience as a journalist and corporate trainer. Mrs France holds a Bachelor of Commerce (Hons) degree from Delhi University, and an MBA with distinction from INSEAD. Mrs France is an Indian citizen.

*Current directorships and senior management positions .....* -

*Previous directorships and senior management positions*

*last five years .....* -

### 12.3 Remuneration and benefits

#### 12.3.1 Remuneration of the Board of Directors

Pursuant to the Annual General Meeting of BW Offshore held on 21 May 2015, it was resolved that the Directors were to be paid annual fees for 2015 at the rate of USD 60,000 for the Directors (other than the Chairman and Deputy Chairman), USD 80,000 for the Chairman and USD 70,000 for the Deputy Chairman, plus an additional USD 15,000 and USD 10,000 per annum for the chairman of the audit committee and its members, respectively, and USD 10,000 and USD 5,000 per annum for the chairman of the remuneration committee and its members, respectively, plus an additional USD 2,500 as travel and attendance fee to each member of the audit committee for each full quarterly audit committee meeting. The remuneration of the Board of Directors for 2015 totalled USD 498,845.

#### 12.3.2 Remuneration of Management

The Board of Directors has established guidelines for the remuneration of the members of the Management. It is a policy of the Company to offer the Management competitive remuneration based on current market standards, Company and individual performance. The remuneration consists of a basic salary element, combined with a Variable Compensation Scheme and participation in the long term incentive program described in Section 12.3.3 "Bonus program for Management". The Management participates in the Company's insurances and medical coverage, and is entitled to certain fringe benefits, such as one home passage per year and telephone.

Remuneration of Management is reviewed annually. The work is carried out by BW Offshore's remuneration committee, which generally considers the Management's performance and also gathers information from comparable companies before making its recommendation to the Board of Directors for approval. Such recommendation aims to ensure convergence of the financial interests of the executive personnel and the shareholders. Any performance-related remuneration to executive personnel is subject to an absolute limit. The limit is approved by the Board of Directors based on a recommendation from the remuneration committee. The Board of Directors approves any share option programs in the Company available to the employees of the Company and subsidiaries. The total remuneration to the members of the Management in 2015 was USD 7,193,030, as further detailed in the table below.

<i>In USD</i>	<b>Salary</b>	<b>Bonus</b>	<b>Pension</b>	<b>Share options</b>	<b>Other benefits</b>
Management .....	3,831,964	1,543,772	721,294	451,788	644,212

#### 12.3.3 Bonus program for Management

##### **Variable Compensation Scheme**

The Company has established a Variable Compensation Scheme (VCS), which is a system for rewarding employees if and when the Company reaches set goals, based on financial parameters. The Variable Compensation Scheme might differ from year to year depending on the challenges and goals set by the Company, and the financial factors that influence the Company's performance. Pay-out under the Variable Compensation Scheme is based on targets achieved within five parameters:

1. Overall company result
2. New business
3. HSEQ performance
4. EBITDA
5. Projects

The assessment of the Company's achievement will determine the pay out of the Variable Compensation Scheme.

Recognition by the Board of Directors of achievement will be discretionary. Full pay out is capped at three months' salary per employee. Individual assessment may be added to the general pay out. Employees need to be employed at the time of Variable Compensation Scheme payment in order to be eligible for Variable Compensation Scheme benefits.

### **Long term incentive program**

In addition to the Variable Compensation Scheme, the Company has established a long term incentive program for C-level management (excluding CEO). This program is intended to reward performance over a three-year period. It is designed to encourage focus on long-term value generation rather than short-term achievements. Pay-out under the long term incentive program is based on targets achieved within three parameters:

1. Company results – 1/3
2. Project Performance – 1/3
3. Total shareholder return – 1/3

The assessment of the Management's achievement will determine the pay-out. Recognition by the Board of Directors of achievement will be discretionary. Full pay-out is capped at two months' salary. The scheme will be on a rolling basis each year, meaning maximum payable per year will be six months' salary.

The total amount due under the long-term incentive program will be paid out with 50% in cash upon award and 50% granted in restricted shares, which vest one year after the award.

#### *12.3.4 Share options granted to the Chief Executive Officer*

The Board of Directors has resolved to grant the Chief Executive Officer 2,500,000 share options, settled in equity. The options were granted on 6 May 2014 and will vest after three years, provided the Chief Executive Officer is still in the position when the options vest. The strike price is NOK 10 per share. The share options shall be declared within three months from the date of vesting, and dividends shall be paid on final shares delivered, as if such shares have been held since 6 May 2014. The valuation is estimated at grant date using a Black & Scholes pricing model. Total effect to other equity was USD 0.5 million in 2015.

### **12.4 Benefits upon termination**

The members of the Management are entitled to compensation equal to maximum 18 months' salary in the event of termination of their employment. Compensation received from other employers during this period reduces this compensation, but not below 25% of the compensation. Apart from this, no employee has entered into employment agreements which provide for any special benefits upon termination. None of the Directors or members of the nomination committee have service contracts and none will be entitled to any benefits upon termination of office.

### **12.5 Pensions and retirement benefits**

The members of Management that reside in Norway, and who were employed before 2008, are part of a defined benefit plan where pension entitlements are accrued on a linear basis with an average service life of 30 years. The scheme entitles the holder to a pension that is 66% of final salary on attainment of retirement age of 67. The plan also include survivor/dependents and disability pensions. All other members of Management is either part of a defined contribution scheme in Norway, or if Singaporean or Singapore Permanent Resident, part of the defined contribution scheme under the Central Provident Fund Act.

The Chief Executive Officer, Carl Krogh Arnet, has an early retirement plan and a pension plan, accrued over his career, that entitles him to a pension equalling 66% of his salary, for life, from the age of 60 years with an annual adjustment for inflation. The plan also include surviving spouse coverage of 55%. The Chief Executive Officer turned 60 years in May 2016. The Board of Directors has resolved that the total future pension liability (approximately USD 17.5 million) be paid out in cash as a lump sum in July 2016, as a full and final payment for all rights under the plans. The Company has annually accrued for its pension liabilities. The Company has further obtained various insurance products to partially fund its obligations under the plan. The funds from the insurance products will reduce the Company's net cash outlay by approximately USD 4 million. Further the Company's pension liabilities will be reduced by a corresponding amount.

For the year ended 31 December 2015, the cost of pensions for members of Management was USD 721,294. The Company has no pension or retirement benefits for its Directors.

## 12.6 Loans and guarantees

No company in the Group has granted any loans, guarantees or other commitments to any of its Directors or to any member of Management.

## 12.7 Employees

As at the date of this Prospectus, the Group has 2,029 full-time employees (not including consultants/contract staff). The table below shows the development in the numbers of full-time employees over the last three years.

	As at the date of the Prospectus	Year ended 31 December		
		2015	2014	2013
<b>Total Group</b> .....	<b>2,029</b>	<b>2,383</b>	<b>2,254</b>	<b>2,199</b>
By main category of activity:				
- Onshore services .....	575	736	666	560
- Offshore services.....	1,454	1,647	1,588	1,639

## 12.8 Nomination committee

The Company has established a nomination committee composed of three members. The current members of the nomination committee are Andreas Sohmen-Pao, Bjarte Bøe and Elaine Yew. The nomination committee shall give recommendations for the election of Directors and members of the nomination committee and make recommendations for remuneration to the Directors and the members of the nomination committee.

## 12.9 Audit committee

The Board of Directors has established an audit committee composed of Directors. The current members of the audit committee are Christophe Pettenati-Auzière (Chairman) and Carsten Mortensen. The primary purposes of the audit committee are to:

- assist the Board of Directors in discharging its duties relating to the safeguarding of assets, the operation of adequate system and internal controls, the control processes and the preparation of accurate financial reporting and statements in compliance with applicable legal requirements, corporate governance and accounting standards; and
- provide support to the Board of Directors on the risk profile and risk management of the Group.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

## 12.10 Remuneration committee

The Board of Directors has established a remuneration committee composed of Directors. The current members of the remuneration committee are Clare Spottiswoode (Chair) and Maarten R. Scholten. The primary purpose of the remuneration committee is to prepare guidelines for the remuneration of the Management and prepare for the discussion of the Board of Directors of specific remuneration matters and prepare matters relating to other material employment issues in respect of the Management.

## 12.11 Corporate governance

The Company has adopted and implemented a corporate governance regime which complies with the Corporate Governance Code, with the following exceptions:

*Deviation from section 2 "Business"*: In accordance with common practice for Bermuda incorporated companies, the Company's objects as set out in the Memorandum of Association are wider and more extensive than recommended in the Corporate Governance Code.

*Deviation from section 3 "Equity and dividends"*: Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board of Directors has wide powers to issue any authorised but unissued shares on such terms and conditions as it may decide, subject to any resolution of the Company's shareholders to the contrary. The Board of Directors may further exercise all powers of the Company to purchase the Company's own shares. The

powers of the Board of Directors to issue and purchase shares are neither limited to specific purposes nor to a specified period as recommended in the Corporate Governance Code.

*Deviation from section 5 "Freely negotiable shares":* The Shares are freely negotiable and the Company's constitutional documents do not impose any transfer restrictions on the Shares other than as set out below. The Bye-laws include a right for the Board of Directors to decline to register the transfer of any Share, and may direct the registrar to decline (and the registrar shall decline if so requested), to register the transfer of any interest in a share held through the VPS, where such transfer would, in the opinion of the Board of Directors, likely result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a "Controlled Foreign Company" as defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid that the Company is deemed a "Controlled Foreign Company".

*Deviation from section 6 "General meetings":* The Chairman of the Board of Directors will chair the Company's general meetings unless otherwise resolved by majority vote. This is mainly due to the fact that the Bye-laws of the Company provide, as is common under Bermuda law, that the Chairman of the Board of Directors shall, as a general rule, chair the general meetings.

*Deviation from section 7 "Nomination committee":* Any member of the Board of Directors who is also a member of the nomination committee may offer himself for re-election to the Board of Directors. This has been implemented to facilitate cooperation between the nomination committee and the Board of Directors and continuity in the Board of Directors.

#### **12.12 Conflicts of interests etc.**

During the last five years preceding the date of this Prospectus, none of the Directors and members of the Management has, or had, as applicable:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or senior manager of a company.

BW Group, the largest shareholder of BW Offshore, is approximately 93% owned by a company controlled by corporate interests associated with the Sohmen family. The Chairman of the Board of Directors, Andreas Sohmen-Pao, is a member of the Sohmen family. Furthermore, Carsten Mortensen is the CEO of BW Group. There are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the Directors and members of the Management, including any family relationships between such persons.

## **13 THE 2016 FINANCIAL PLAN**

### **13.1 Introduction**

As set out in the Section 6 "Reasons for the Rights Issue", the 2016 Financial Plan is undertaken to address potential future liquidity challenges, including avoiding breach of financial covenants, and to secure a credible long-term financial platform for the Group. As further set out below, the 2016 Financial Plan includes inter alia certain amendments to the Company's credit facilities and bond loans, as well as a Rights Issue in the total amount of USD 100 million. In total, the 2016 Financing Plan will contribute in excess of USD 500 million in improved liquidity in the period throughout 2020, and thereby give the Company a significant runway until the markets are expected to recover.

The 2016 Financing Plan comprises three key elements, namely: the amendments to the credit facilities (described in Section 13.2 "Credit facilities"), the amendments to the Company's bond loans (described in Section 13.3 "Bond loans") and the Rights Issue (described in Section 13.4 "Rights Issue"). All three key elements are conditional on each other.

### **13.2 Credit facilities**

#### *13.2.1 MUSD 2,400 Facility*

The amendments to the MUSD 2,400 Facility comprise the following two components:

- i) Extension of maturity, reduction of instalments and increase of margin
  - Maturity extended by two years to March 2020;
  - 50% reduction of five semi-annual instalments starting September 2016 (total reduction of USD 278 million) (Q3 2016 to Q3 2018). Normal amortization from March 2019 and a balloon at the new maturity in March 2020 of USD 474 million, reduced from the initial balloon of USD 641 million in March 2018; and
  - Margin increase by 25 bps to 225 bps with additional step up by 50 bps if the leverage ratio exceeds 5.50:1.
- ii) Changes to certain covenants
  - Leverage ratio (IBD/EBITDA) increased from 5.50:1 to 6.00:1 until maturity in March 2020;
  - Book equity ratio reduced from 25% to 20% until maturity in March 2020; and
  - No dividend and bond buy back until maturity in March 2020 (save from buy back of bonds in connection with extensions and/or renewal of bond issues (including the partial redemption of BWO01 on 15 March 2017), such buy back to be limited to an amount of USD 25,000,000, unless the shareholder contributions exceed USD 100,000,000 of cash, following which the said threshold amount shall be increased by any excess amount).

#### *13.2.2 Other credit facilities*

The amendments to the Group's other credit facilities, comprising the Catcher Facility, the Joko Tole Facility, the Umuroa Facility and the Petr leo Nautipa Facility (see Section 11.6.2 "Credit Facilities" for further details about these facilities) include changes to certain financial covenants. The leverage ratio (IBD/EBITDA) shall be increased from 5.50:1 to 6.00:1. Furthermore, the book equity ratio shall be reduced from 25% to 20% until maturity of the respective facility.

#### *13.2.3 Consents*

The Company has received the required consents from all of its lending banks to implement the 2016 Financing Plan and the amendments to the credit facilities. The consents are subject to successful amendment of the Company's bond loans and completion of the Rights Issue, as well as customary conditions precedent, such as the entry into of appropriate documentation, corporate resolutions and the provision of legal opinions as well as the absence of any continuing event of default under the loan facilities.

### 13.3 Bond loans

The amendments to the Company's four bond loans BWO01, BWO02, BWO03 and BWO04 (see Section 11.6.3 "Bonds" for further details about the bond loans) comprise the following:

- Extended maturity of all bond loans with an average of 2.3 years;
- Partial redemption at par value with an average of 24.5% on the original maturity date:
  - BWO01: March 2020 with NOK 140 million partial redemption in March 2017;
  - BWO02: September 2020 with NOK 100 million partial redemption in March 2020;
  - BWO03: March 2021 with NOK 150 million partial redemption in September 2020;
  - BWO04: March 2022 with NOK 90 million partial redemption in March 2021 and NOK 180 million in December 2020.
- Reduction of equity ratio from 25% to 20%;
- Increase of margin to 450 bps in the period from the respective original maturity date until the respective new maturity date;
- Inclusion of restriction on dividends, repurchase of shares and other distributions to shareholders; and
- Amendment of call option to the effect that the bonds may be redeemed at par value until the respective new maturity date (American call), callable in chronology.

The amendments to the Company's bond loans were approved at a joint bondholders' meeting held on 9 June 2016. The amendments of the bond loans are conditional upon certain customary conditions precedents, as well as successful amendment of the Company's bank facilities and completion of the Rights Issue.

### 13.4 Rights Issue

The Company will raise USD 100 million in new equity capital through the Rights Issue. See Section 18 "The terms of the Rights Issue" for further information on the Rights Issue.

## 14 RELATED PARTY TRANSACTIONS

### 14.1 Introduction

Below is a summary of the Group's related party transactions for the periods covered by the historical financial information and up to the date of this Prospectus. For further information on related party transactions of the Group, see notes 23 and 9 of the Financial Statements and the Interim Financial Statements, respectively, incorporated by reference hereto, see Section 20.3 "Incorporation by reference". All related party transactions have been concluded at arm's length principles.

### 14.2 Transactions carried out with related parties in the years ended 31 December 2015, 2014 and 2013

The table below sets forth the related party transactions in the years ended 31 December 2015, 2014 and 2013.

<i>In USD million</i>	Year ended 31 December		
	2015 <i>(audited)</i>	2014 <i>(audited)</i>	2013 <i>(audited)</i>
Shareholders loan to OCS Services Limited <sup>1</sup>	-	0.9	0.9
<b>Total</b>	<b>-</b>	<b>0.9</b>	<b>0.9</b>

1 The shareholders loan is subject to interest at a rate of 2.50% and is payable on demand. The shareholders loan was settled during the third quarter of 2015.

Below is a description of significant transactions between related parties in the years ended 31 December 2015, 2014 and 2013.

#### 14.2.1 Transshipment agreement

In December 2015, the transshipment agreement with LLC Oil Terminal Belokamenka' was terminated and the ownership of was transferred to the Group. No cash consideration was paid or received as part of the termination, and outstanding lease receivables at time of termination has been treated as cost for the vessels.

#### 14.2.2 Sale of vessel

In 2015, VLCC BW Opal was sold for USD 85.5 million to BW Group (the largest shareholder in the Company). The transaction was performed on an arms-length basis, based on independent valuation reports and technical inspection of the vessel. The agreement also includes an option to buy-back the vessel until the first quarter of 2017.

### 14.3 Transactions carried out with related parties in the period following 31 December 2015

In the period following 31 December 2015 until the date of this Prospectus, the Group has not carried out any transactions with related parties.

## 15 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Company's Memorandum of Association, Bye-laws and applicable Norwegian and Bermuda law in effect as at the date of this Prospectus, including the Bermuda Companies Act. The summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum of Association, Bye-laws and applicable law.

### 15.1 Company corporate information

The Company's registered name is BW Offshore Limited. The Company was incorporated on 7 June 2005 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. The Company's registration number is 36937. The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, telephone: + 1 (441) 295-1422 and telefax: +1 (441) 292-4720. The Company's website can be found at [www.bwoffshore.com](http://www.bwoffshore.com). The content of [www.bwoffshore.com](http://www.bwoffshore.com) is not incorporated by reference into and does not otherwise form part of this Prospectus.

### 15.2 Legal structure

The Company, the parent company of the Group, is a holding company and the operations of the Group are carried out through the operating subsidiaries of the Company.

The following table sets out information about the entities in which the Group, as at the date of this Prospectus, holds (directly or indirectly) more than 10% of the outstanding capital and votes.

Company	Country of incorporation	Field of activity	Holding (%):
Belokamenka Limited	Bermuda	Vessel owning	100
Berge Carmen Singapore Pte Ltd	Singapore	Investment Holding	100
Berge Helene Limited	Bermuda	Vessel owning	100
Berge Okoloba Toru Limited	Bermuda	Dormant	100
Bergesen Worldwide Limited	Bermuda	Vessel owning	100
Bergesen Worldwide Mexico, S.A. de C.V.	Mexico	Operating	100
Bergesen Worldwide Offshore Mexico S. de RL de CV	Mexico	Operating	100
BW Ara Limited	Bermuda	Dormant	100
BW Belokamenka (Cyprus) Limited	Cyprus	Dormant	100
BW Carmen Limited	Bermuda	Vessel owning	100
BW Catcher Limited	Bermuda	Vessel owning	100
BW Cidade de São Vicente Limited	Bermuda	Vessel owning	100
BW Endeavour Limited	Bermuda	Dormant	100
BW Kudu Holding Pte Ltd	Singapore	Investment Holding	100
BW Kudu Limited	United Kingdom	Newly incorporated/Operating	100
BW KMZ Limited	Bermuda	Dormant	100
BW Nisa Limited	Bermuda	Operating	100
BW Offshore Australia Pty Ltd	Australia	Dormant	100
BW Offshore Catcher (UK) Limited	United Kingdom	Operating	100
BW Offshore China Ltd	China	Operating	100
BW Offshore Cyprus Limited	Cyprus	Investment Holding	100
BW Offshore do Brazil Ltda	Brazil	Operating	100
BW Offshore do Brazil Servicos Maritimos Ltda	Brazil	Operating	100
BW Offshore (Ghana) Pte Ltd	Singapore	Dormant	100
BW Offshore Global Manning Pte. Ltd.	Singapore	Operating (Manning)	100
BW Offshore Management USA Inc	USA	Operating	100
BW Offshore Nautipa AS	Norway	Investment Holding	100
BW Offshore Netherlands B.V.	Netherlands	Operating	100
BW Offshore Nigeria Limited	Nigeria	Operating	100
BW Offshore Norway AS	Norway	Operating and Management	100
BW Offshore Norwegian Manning AS	Norway	Operating (Manning)	100
BW Offshore Peregrino Limited	Bermuda	Operating	100
BW Offshore Poland sp z o.o.	Poland	Operating	100
BW Offshore Production do Brazil Ltda	Brazil	Dormant	100
BW Offshore Shipholding Limited	Bermuda	Investment Holding	100
BW Offshore Shipholding Cyprus Ltd	Cyprus	Investment Holding	100
BW Offshore Singapore Pte Ltd.	Singapore	Vessel owning and management	100
BW Offshore TSB Invest Pte Ltd.	Singapore	Investment Holding	100
BW Offshore (UK) Ltd	United Kingdom	Operating	100

<b>Company</b>	<b>Country of incorporation</b>	<b>Field of activity</b>	<b>Holding (%):</b>
BW Offshore USA, Inc	USA	Operating	100
BW Pioneer Limited	Bermuda	Dormant	100
BW Pioneer (UK) Limited	United Kingdom	Vessel owning	100
BWO Rouen SAS	France	Operating	100
Egyptian Winlines Shipping Co. SAE	Egypt	Dormant	100
Prosafe FPSO (D) Pte. Ltd.	Singapore	Vessel owning	100
Prosafe GFPSO I BV	Netherlands	Operating	100
Prosafe Production B.V.	Netherlands	Operating	100
Prosafe Production Management B.V.	Netherlands	Operating	100
Prosafe Production Nigeria Limited	Nigeria	Operating	100
Prosafe Services Cote d'Ivoire Pte Ltd	Singapore	Operating	100
PT BW Offshore TSB Invest	Indonesia	Vessel owning	49
Sendje Berge Limited	Bermuda	Vessel owning	100
Timworth Pte Ltd	Singapore	Vessel owning	100
Timworth Gabon SA	Gabon	Operating	100
OCS Services Limited	British Virgin Island	Operating	50
Euro Techniques Industries	France	Operating	40
FTL Subsea Limited	Scotland	Operating	26

As at the date of this Prospectus, and other than in respect of its holdings in the dormant entities set out in the table above, OCS Services Limited, Euro Techniques Industries and FTL Subsea Limited, the Group is of the opinion that its holdings in all of the entities specified above are likely to have a significant effect on the assessment of its own assets and liabilities, financial condition or profits and losses.

### 15.3 Authorised and issued share capital and share capital history

As at the date of this Prospectus, the Company's authorised share capital is USD 107,000,000 consisting of 10,700,000,000 Shares with a par value of USD 0.01 each, of which 688,006,004 Shares have been issued and fully paid. The Board of Directors may issue any authorised but unissued shares of the Company subject to any resolution of the shareholders to the contrary. Any issuance of preference shares by the Board of Directors is subject to prior approval being given by resolution of a General Meeting pursuant to the Bye-laws.

The Shares have been created under the Bermuda Companies Act and are registered in the VPS under ISIN BMG1190N1002. All the Shares rank in parity with one another and carry one vote per share.

The Company has one class of shares. Except as set out in Section 12.3.4 "Share options granted to the Chief Executive Officer", there are no share options or other rights to subscribe or acquire Shares issued by the Company.

### 15.4 Share capital history

The table below shows the development in the Company's authorised share capital for the period from 1 January 2013 to the date hereof:

<b>Date</b>	<b>Type of change</b>	<b>Change in authorised share capital (USD)</b>	<b>New authorised share capital (USD)</b>	<b>No. of authorised shares</b>	<b>Par value per share (USD)</b>
1 January 2013	Authorised share capital	-	7,000,000	700,000,000	0.01
14 June 2016	Increase of authorised share capital	100,000,000	107,000,000	10,700,000,000	0.01

There has been no change in the Company's issued share capital for the period from 1 January 2013 to the date hereof.

In the period from 1 January 2013 to the date of this Prospectus, none of the issued share capital has been paid for with assets other than cash.

### 15.5 Listing on the Oslo Stock Exchange

The Shares are, and the Offer Shares will be, admitted to trading on the Oslo Stock Exchange. The Company currently expects commencement of trading in the Offer Shares on the Oslo Stock Exchange on or around 22 July 2016. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.

## 15.6 VPS registration of the Shares

### 15.6.1 Introduction

In order to facilitate registration of the beneficial interests in the Shares with the VPS, including the Offer Shares, BW Offshore has entered into the Registrar Agreement with the VPS Registrar DNB, who operates BW Offshore's VPS share register. Pursuant to the Registrar Agreement, the VPS Registrar is registered as holder of the Shares in the register of members in Bermuda that BW Offshore is required to maintain pursuant to Bermuda law. The VPS Registrar registers the beneficial interests in the Shares, including the Offer Shares, in book-entry form with the VPS. Therefore, it is not the Shares, including the Offer Shares, in registered form issued in accordance with the Bermuda Companies Act, but the beneficial interests in such Shares in book-entry form that are registered with the VPS.

At the date of this Prospectus, BW Offshore has only one class of Shares. The Shares have ISIN BMG1190N1002.

The beneficial interests in the Shares are, and the Offer Shares will be, registered in book-entry form with VPS under the category of a "share" and it is such interest in the Shares that will be registered and traded on the Oslo Stock Exchange. Each such share registered with the VPS will represent beneficial ownership of one Share. The beneficial interests registered with the VPS are freely transferable, with delivery and settlement through the VPS system.

### 15.6.2 The Registrar Agreement

Beneficial shareholders must look solely to the VPS Registrar for the payment of dividends, for the exercise of voting rights attaching to the Shares and for all other rights arising in respect of the Shares. In order to exercise any rights as shareholder under Bermuda law or the Bye-laws, a VPS shareholder must transfer his shareholding from the VPS to the register of members held in Bermuda. Such transfer will disable trading on the Oslo Stock Exchange, until the Shares are transferred back to the VPS. Shareholders who wish to transfer their Shares from the VPS to their name in the register of members must contact the VPS Registrar.

BW Offshore will pay dividends directly to the VPS Registrar, which in turn has undertaken to distribute the dividends to the beneficial shareholders in accordance with the Registrar Agreement. Beneficial shareholders who maintain a Norwegian address in the VPS Register or have supplied VPS with details of their NOK account shall receive their dividend payment in NOK to such account. Dividends will however be resolved and paid by BW Offshore in USD as the accounting currency of BW Offshore. Beneficial shareholders whose address registered with the VPS is outside Norway and who have not supplied the VPS with details of any NOK account, will receive dividends by cheque in their local currency. If it is not practical in the VPS Registrar's sole opinion to issue a cheque in a local currency, a cheque will be issued in USD. The exchange rate(s) that will be applied will be DNB's exchange rate on the date of issuance.

Other than in accordance with proxies from beneficial holders of Shares registered in the VPS, the VPS Registrar has undertaken not to attend or vote at BW Offshore's general meeting of shareholders. The VPS Registrar is only liable for direct financial loss (limited to NOK 500 million for any individual error) which is due to negligence on the part of the VPS Registrar.

Each of BW Offshore and the VPS Registrar may terminate the Registrar Agreement at any time with a minimum of three months' prior written notice, or immediately upon written notice of a material breach by the other party of the Registrar Agreement. In the event that the Registrar Agreement is terminated, BW Offshore will use its reasonable best efforts to enter into a replacement agreement for purposes of permitting the uninterrupted trading of the Shares on the Oslo Stock Exchange.

## 15.7 Ownership structure

As of 28 June 2016, the Company had 3,385 shareholders. The Company's 20 largest shareholders as of the same date are shown in the table below.

#	Shareholders	Number of Shares	Percent
1	BW Group Limited. ....	342,312,248	49.75%
2	Fidelity Funds-Nordic Fund/SICAV.....	40,456,864	5.88%
3	State Street Bank and Trust Co. ....	26,641,219	3.87%
4	Fidelity Puritan Trust: Fidelity.....	17,549,100	2.55%
5	Santander Securities Services, S.A. ....	9,418,942	1.37%
6	Carl Krogh Arnet .....	7,499,081	1.09%
7	Fid Blue Chip Val FD.....	7,014,500	1.02%
8	Fidelity Select Portfolios: Energy .....	6,733,065	0.98%
9	Skandinaviska Enskilda Banken AB .....	5,864,260	0.85%
10	Fidelity Investment Trust: Fideli .....	5,095,827	0.74%
11	Citibank, N.A.....	4,714,474	0.69%

#	Shareholders	Number of Shares	Percent
12	Nordea Bank Danmark A/S .....	3,846,653	0.56%
13	Nordnet Bank AB .....	3,828,500	0.56%
14	NHO - P665AK .....	3,787,938	0.55%
15	Citibank, N.A.....	3,262,941	0.47%
16	Goldman Sachs & Co.....	3,014,985	0.44%
17	Per Jacob Mørck .....	3,000,000	0.44%
18	Spjot Invest AS .....	2,915,646	0.42%
19	Verdipapirfondet KLP AksjeNorge.....	2,890,510	0.42%
20	Verdipapirfondet DNB SMB .....	2,889,948	0.42%
	<b>Others</b> .....	185,269,303	26.93%
	<b>Total</b> .....	<b>688,006,004</b>	<b>100.00%</b>

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 16.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the date of this Prospectus, no shareholder, other than BW Group (approximately 49.75%), Fidelity Funds-Nordic Fund/SICAV (approximately 5.88%) and the Fidelity Funds (as defined in Section 18.1 "Overview" below) (approximately 9.99%), holds more than 5% of more of the issued Shares.

BW Group holds more than 25% of the shares in the Company (meaning that BW Group has negative control over the Company with respect to certain resolutions). However, the Company is not aware of any persons or entities who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. The Shares have not been subject to any public takeover bids.

#### 15.8 Share repurchase and treasury shares

Pursuant to the Bye-laws, the Company may purchase its own shares for cancellation or acquire them as treasury shares on such terms and in such manner as may be authorised by the Board of Directors, subject to the Bermuda Companies Act. The Board of Directors may exercise all the powers of the Company to purchase or acquire its own Shares.

As of the date of this Prospectus, the Company owns 2,445,020 treasury shares with a par value of USD 24,450.20 and a book value of USD 9.1 million. The average cost price of the Company's treasury shares is USD 3.7.

#### 15.9 Other financial instruments

Except for the share options granted to the Chief Executive Officer (as described in Section 12.3.4 "Share options granted to the Chief Executive Officer"), neither the Company nor any of its subsidiaries have issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, neither the Company nor any of its subsidiaries has issued subordinated debt or transferable securities other than the Shares and the shares in its subsidiaries which will be held, directly or indirectly, by the Company.

#### 15.10 Shareholder rights

The Company has one class of Shares in issue, and all Shares in that class have equal rights to all such other shares in that class as set out in the Bye-laws.

#### 15.11 The Memorandum of Association, Bye-laws and Bermuda law

The Bye-laws are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Bye-laws and certain aspects of applicable Bermuda law. The Bye-laws of the Company do not place more stringent conditions for the change of rights of holders than those required by the Bermuda Companies Act, see Section 15.11.5 "Variation of share rights" and Section 15.11.6 "Voting rights".

##### 15.11.1 Objects of the Company

In accordance with common practice for Bermuda incorporated companies, the objects of the Company, as set out in paragraph 6 of its Memorandum of Association, are wide and extensive.

### 15.11.2 General meetings

The annual general meeting of the Company shall be held each year at such time and place as the President or the Chairman or the Board of Directors shall appoint. The President, the Chairman or the Board of Directors may convene a special general meeting whenever in their judgment such a meeting is necessary. The Board of Directors shall, on the requisition of the shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up voting share capital of the Company, forthwith proceed to convene a special general meeting.

At least 14 clear days' notice of an annual general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting. At least 14 clear days' notice of a special general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at the general nature of the business to be considered at the meeting. The Board of Directors may fix any date as the record date for determining the shareholders entitled to receive notice of and to vote at any general meeting of the Company.

A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in the Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the shareholders of the Company entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in case of a special general meeting. The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders may participate in any general meeting by means of such telephonic, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meeting. Except as otherwise provided in the Bye-laws, the quorum at any general meeting of the Company shall be constituted by two or more persons, present in person throughout the meeting and representing in person or by proxy, in excess of 25% of the total issued voting shares.

Subject to the Bye-laws, anything which may be done by resolution of the Company in a general meeting, or by resolution of a meeting of any class of the shareholders may, without a meeting and without any previous notice being required, be done by resolution in writing signed by all the shareholders who at the date of the resolution would be entitled to attend a meeting and vote on the resolution. However, this does not apply to a resolution to remove an auditor from office before the expiration of his/her term of office, or a resolution for the purpose of removing a director before the expiration of his/her term of office.

### 15.11.3 Board of Directors and Management

#### **Election and removal of Directors**

The Board of Directors must consist of not less than two Directors or such number in excess thereof as the shareholders of the Company may from time to time determine. The Board of Directors must be elected or appointed at the relevant annual general meeting of the shareholders or at any special general meeting of the shareholders called for that purpose. The shareholders of the Company may authorise the Board of Directors to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board of Directors occurring as a result of death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board of Directors, the Board of Directors has the power to appoint a Director to fill the vacancy and to appoint an Alternate Director to any Director so appointed. Any shareholder or the Board of Directors may propose any person for re-election or election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board of Directors, is to be proposed for election, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Whether a Director is to be elected at an annual general meeting or a special meeting, that notice must be given not less than ten days before the date of such general meeting. Where the number of persons validly proposed for re-election or election as a Director is greater than the number of Directors to be elected, the persons receiving the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of votes cast shall not be a prerequisite to the election of such Directors.

Subject to any provision to the contrary in the Bye-laws, the shareholders entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with the Bye-laws, remove a Director, only with

cause, provided that the notice of any such meeting convened for the purpose of removing a Director must contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal. Under the Bye-laws "cause" means a conviction for a criminal offence involving dishonesty or engaging in conduct which brings the Director or the Company into disrepute and which results in material financial detriment to the Company.

#### **Remuneration of Directors**

The remuneration (if any) of the Directors may be proposed by the nomination committee and is determined by the shareholders in general meeting.

#### **Directors to manage business**

The business of the Company is managed and conducted by the Board of Directors. Subject to the Bye-laws, the Board of Directors may delegate to any company, firm, person, or body of persons any power of the Board of Directors (including the power to sub-delegate).

#### **Power to appoint manager of day-to-day business**

The Board of Directors may appoint any company, firm, person or body to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

#### **Appointment of officers**

The Board of Directors must appoint a President and Vice President or a Chairman and Deputy Chairman from amongst the directors. The secretary and additional officers, if any, are appointed by the Board of Directors from time to time.

#### **Remuneration of officers**

The officers receive such remuneration as the Board of Directors may determine.

#### **Issuance of Shares**

The Board of Directors may issue any authorised but unissued shares of the Company on such terms and conditions as it may determine, subject to the Bye-laws and any resolution of the shareholders to the contrary.

#### **Indemnification and exculpation of Directors and officers**

Section 98 of the Bermuda Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favour or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Bermuda Companies Act.

The Company has adopted provisions in its Bye-laws that provide that it shall indemnify its Directors and officers in respect of their actions and omissions, except in respect of their fraud or dishonesty. The Bye-laws provide that the shareholders waive all claims or rights of action that they might have, individually or by or in the right of the Company, against any of the Directors or officers for any act or failure to act in the performance of such Director's or officer's duties, except in respect of any fraud or dishonesty of such director or officer. Section 98A of the Bermuda Companies Act permits the Company to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not the Company may otherwise indemnify such officer or director. The Company has purchased and maintains a directors' and officers' liability policy for such a purpose. Under Section 98 of the Bermuda Companies Act, the Company may advance moneys to a director or officer for the costs, charges and expenses incurred by the director or officer in defending any civil or criminal proceedings against him, on condition that the director or officer shall repay the advance if any allegation of fraud or dishonesty in relation to the Company is proved against him.

#### *15.11.4 Share rights*

The holders of Shares have no pre-emptive, redemption, conversion or sinking fund rights. The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the holders of Shares.

In the event of the liquidation, dissolution or winding up of the Company, the holders of Shares are entitled to share equally and rateably in its assets, if any, remaining after the payment of all of the Company's debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

#### *15.11.5 Variation of share rights*

Subject to the Bermuda Companies Act, all or any of the rights attached to any class of shares issued (unless otherwise provided by the terms of issue of the shares of that class) may (whether or not the Company is being wound up) be varied with the consent in writing of the holders of not less than 75% of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of such shares of the class at which meeting the necessary quorum is two persons holding or representing by proxy at least one third of the issued shares of the relevant class. The Bye-laws specify that the creation or issue of preference shares will not be deemed to vary the rights attached to the Shares or, subject to the terms of any other series of preference shares, to vary the rights attached to any other series of preference shares.

#### *15.11.6 Voting rights*

At any general meeting, every holder of Shares present in person and every person holding a valid proxy shall have one vote on a show of hands. On a poll, every such holder of Shares present in person or by proxy shall have one vote for every Share held.

Subject to the Bermuda Companies Act, and the Bye-laws, any question proposed for the consideration of the shareholders at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of the Bye-laws and in the case of an equality of votes, the resolution shall fail.

#### *15.11.7 Amendment of the Memorandum of Association and the Bye-laws*

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders. The Bye-laws provide that no Bye-law shall be rescinded, altered or amended, and no new Bye-law shall be made, unless it shall have been approved by a resolution of the Board of Directors and by a resolution of the shareholders. In case of certain Bye-laws, such as the Bye-laws relating to the election of directors and amendment of Bye-law provisions, the required resolutions must include the affirmative vote of at least 66% of the directors then in office and the affirmative vote of at least 50% of the votes attaching to all shares in issue.

Under the Bermuda Companies Act, the holders of an aggregate of not less than 20% in par value of a company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Bermuda Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Supreme Court of Bermuda. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favour of the amendment.

#### *15.11.8 Amalgamations and mergers*

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation or merger agreement to be approved by the company's board of directors and by its shareholders. Unless a company's bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation or merger agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. On the date hereof, the Company's Bye-laws do not deviate from these requirements. See also Section 15.11.10 "Appraisal rights and shareholder suits".

#### *15.11.9 Transfer of Shares*

The Bye-laws provide that the Board of Directors may decline to register the transfer of any interest in any Share in the register of members or direct any registrar appointed by the Company to decline to register the transfer where such transfer would, in the opinion of the Board of Directors, be likely to result in 50% or more of the issued and outstanding shares or votes in the Company being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a "Controlled Foreign Company" as such term is defined under the Norwegian tax legislation.

Subject to the above, shares that are listed or admitted to trading on an Appointed Stock Exchange, such as the Oslo Stock Exchange, may be transferred in accordance with the rules and regulations of such exchange.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust. The Company will take no notice of any trust applicable to any of the Shares, whether or not the Company has been notified of such trust.

See Section 2.6 "Risks related to the Company's incorporation in Bermuda" for a summary of the provisions in the Bye-laws that contain provisions that could make it more difficult for a third party to acquire the Company without the consent of the Board of Directors.

#### *15.11.10 Appraisal rights and shareholder suits*

Under the Bermuda Companies Act, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favour of the amalgamation or merger and who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the general meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares. Under Bermuda law, each share of an amalgamating or merging company carries the right to vote in respect of an amalgamation or merger whether or not it otherwise carries the right to vote.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted or have been conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

The Bye-laws contain a provision by virtue of which the Company's shareholders waive any claim or right of action that they might have, whether individually or by or in the right of the Company, against any director or officer of the Company in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer.

#### *15.11.11 Capitalisation of profits and reserves*

Pursuant to the Bye-laws, the Board of Directors may (i) capitalise any part of the amount of the Company's share premium or other reserve accounts or any amount credited to the Company's profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares) to the shareholders; or (ii) capitalise any amount standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by paying up in full partly or nil paid shares of those shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

#### *15.11.12 Untraced shareholders*

The Bye-laws provide that the Board of Directors may forfeit any dividend or other monies payable in respect of any shares which remain unclaimed for six years from the date when such monies became due for payment. In addition, the Company is entitled to cease sending dividend warrants and cheques by post or otherwise to a shareholder if such instruments have been returned undelivered to, or left uncashed by, such shareholder on at least two consecutive occasions or, following one such occasion, reasonable enquires have failed to establish the shareholder's new address. This entitlement ceases if the shareholder claims a dividend or cashes a dividend cheque or a warrant.

*15.11.13 Access to books and records and dissemination of information*

Members of the general public have the right to inspect the public documents of a Bermuda company available at the office of the Registrar of Companies in Bermuda. These documents include the Company's Memorandum of Association, including its objects and powers, and certain alterations to its Memorandum of Association. The shareholders have the additional right to inspect the Bye-laws of the Company, minutes of general meetings and the Company's audited financial statements, which must be laid before at the annual general meeting. The register of members of a Bermuda company is also open to inspection by shareholders and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than thirty days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records. Where a company, the shares of which are listed on an Appointed Stock Exchange, sends its summarised financial statements to its shareholders pursuant to Section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarised financial statements) must be available for inspection by the public at the company's registered office.

*15.11.14 Dividends and dividend policy*

BW Offshore has an objective to generate competitive long-term total shareholder returns. This return will be achieved through sustainable growth and stable dividend payments. The level of dividends will be approved and evaluated by the Directors on a quarterly basis. In light of the reduction in industry activity levels that has gradually increased since 2014, the Board of Directors has reduced dividend payments throughout 2015, until it was decided to suspend dividend payments from the third quarter of 2015 until market visibility improves. Furthermore, as part of the 2016 Financial Plan, the Company has agreed to certain restrictions as to the distribution of dividends.

Under Bermuda law, a company may not declare or pay dividends if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) that the realisable value of its assets would thereby be less than its liabilities. Under the Bye-laws, each of the Shares is entitled to such dividends as the Board of Directors may from time to time declare, subject to any preferred dividend right of the holders of any preference shares.

The Bye-laws provide that any dividend and or other monies payable in respect of a share which has remained unclaimed for six years from the date when it became due for payment shall, if the Board of Directors so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

*15.11.15 Winding-up*

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors (including contingent or prospective creditors) or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, the company shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up thereof.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be deemed a "members' voluntary winding up". In any case where such declaration has not been made, the winding up will be deemed a "creditors' voluntary winding up".

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator is at any time of the opinion that the company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a

meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up via a members' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account, and giving any explanation thereof. This final general meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the meeting the liquidator shall notify the Registrar of Companies in Bermuda that the company has been dissolved and the Registrar shall record that fact in accordance with the Bermuda Companies Act.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of the creditors of the company to be summoned for the day, or the next day following the day on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, the company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company and distributing the assets of the company, provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the members shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' voluntary winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year.

As soon as the affairs of the company are fully wound up via a creditors' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before the meetings, and giving any explanation thereof. Each such meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Registrar of Companies in Bermuda a copy of the account and make a return to him in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Registrar of Companies in Bermuda of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

#### **15.12 Shareholders' agreement**

To the knowledge of the Company, there are no shareholders' agreements related to the Shares.

## **16 SECURITIES TRADING IN NORWAY**

*Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. The summary does not purport to be a comprehensive description of securities trading in Norway. Shareholders who wish to clarify the aspects of securities trading in Norway should consult with and rely upon their own advisors.*

### **16.1 Introduction**

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As of 31 December 2015, the total capitalisation of companies listed on the Oslo Stock Exchange amounted to approximately NOK 1,839 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalization as at 31 December 2015 amounted to approximately 36.8%.

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, *inter alia*, trading systems for equities, fixed income and derivatives.

### **16.2 Trading and settlement**

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16:20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in the VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly-owned subsidiary of SIX x-clear AG, a company in the SIX group, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

### **16.3 Information, control and surveillance**

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company. Inside information means

precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market. A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

#### **16.4 The VPS and transfer of Shares**

The share register of the Company is maintained at the registered office of the Company in Bermuda pursuant to the provisions of the Bermuda Companies Act. The Company's register of beneficial interests in the Shares is operated through the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, shares traded on the Oslo Stock Exchange must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered owner irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being the Central Bank of Norway), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

The entry of a transaction in the VPS is *prima facie* evidence under Norwegian law in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's bye-laws or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

#### **16.5 Shareholder register**

The principal share register of the Company is maintained at the registered office of the Company in Bermuda pursuant to the provisions of the Bermuda Companies Act. The beneficial interests in the Shares are registered in the name of the beneficial owner of the Shares in the VPS. Shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the Company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners.

#### **16.6 Foreign investment in shares listed in Norway**

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

#### **16.7 Disclosure obligations**

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

**16.8 Insider trading**

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

**16.9 Mandatory offer requirement**

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

**16.10 Compulsory acquisition**

Under Bermuda law, an acquiring party is generally able to compulsorily acquire the common shares of minority holders in the following ways:

- By a procedure under the Bermuda Companies Act known as a "scheme of arrangement". A scheme of arrangement can be effected by obtaining the agreement of the company and of holders of common shares, representing in the aggregate a majority in number and at least 75% in value of the common shareholders present and voting at a court ordered meeting held to consider the scheme of arrangement. The Bermuda Supreme Court must then sanction the scheme of arrangement. If a scheme of arrangement receives all necessary agreements and sanctions, then upon the filing of the court order with the Bermuda Registrar of Companies, all holders of common shares could be compelled to sell their shares under the terms of the scheme of arrangement.
- If the acquiring party is a company, by acquiring pursuant to a tender offer 90% of the shares or class of shares that are not already owned by, or held by a nominee for or on behalf of that acquiring party, or any of its subsidiaries (the offeror). If within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, the offeror obtains the approval of the holders of 90% or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require by notice any non-tendering shareholder to transfer its shares to the offeror on the same terms as the original offer. In those circumstances, non-tendering shareholders will be compelled to sell their shares unless the Bermuda Supreme Court (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise.
- Where the acquiring party or parties hold not less than 95% of the shares or a class of shares of the company, the acquiring party or parties may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When such notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Bermuda Supreme Court for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

#### **16.11 Foreign exchange controls**

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of shares of the Company to and between residents and non-residents of Bermuda for exchange control purposes provided that shares of the Company are listed on an Appointed Stock Exchange, which includes the Oslo Stock Exchange. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to the Company's performance or its creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinions or statements expressed in this Prospectus.

The Company has been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows the Company to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to non-residents who are holders of Shares.

## 17 TAXATION

Set out below is a summary of certain Bermuda and Norwegian tax matters related to an investment in the Company. The summary regarding Bermuda and Norwegian taxation are based on the laws in force in Bermuda and Norway as of the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

### 17.1 Bermuda taxation

At present, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of the Shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Company or to any of the Company's operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by the Company in Bermuda.

### 17.2 Norwegian taxation

#### 17.2.1 Taxation of dividends

##### Norwegian Personal Shareholders

Dividends distributed to shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable in Norway for such shareholders at an effective tax rate of 28.75% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.15 which are then included as ordinary income taxable at a flat rate of 25%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 28.75%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a risk free interest rate based on the effective rate after tax of interest on treasury bills (*Nw.: statskasseveksler*) with three months' maturity. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation of, the same share. Any excess allowance will also be included in the basis for calculating the allowance on the same share in the following years.

##### Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are taxable as ordinary income in Norway for such shareholders at a flat rate of currently 25%.

##### Non-Norwegian Shareholders

As a general rule, dividends received by Non-Norwegian tax resident shareholders from shares in Non-Norwegian companies are not subject to Norwegian taxation unless the Non-Norwegian shareholder holds the shares in connection with the conduct of a trade or business in Norway.

### 17.2.2 *Taxation of capital gains on realisation of shares*

#### **Norwegian Personal Shareholders**

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realised by Norwegian Personal Shareholders is currently 28.75%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.15 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 25%, increasing the effective tax rate on gains/losses realised by Norwegian Personal Shareholders to 28.75%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realisation of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to "Taxation of dividends — Norwegian Personal Shareholders" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

#### **Norwegian Corporate Shareholders**

A capital gain or loss derived by a Norwegian Corporate Shareholder from a disposal of shares in the Company is taxable or tax deductible in Norway. The taxable gain/deductible loss per share is calculated as the difference between the consideration for the share and the Norwegian Corporate Shareholder's cost price of the share, including costs incurred in relation to the acquisition or disposal of the share. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. Ordinary income is taxable at a rate of currently 25%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

If the Norwegian Corporate Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

#### **Non-Norwegian Shareholders**

As a general rule, capital gains generated by Non-Norwegian tax resident Shareholders are not taxable in Norway unless the Non-Norwegian Shareholder holds the shares in connection with the conduct of a trade or business in Norway.

### 17.2.3 *Taxation of subscription rights*

#### **Norwegian Personal Shareholders**

A Norwegian Personal Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

Sale and other transfer of subscription rights are considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholders through a realisation of subscription rights is taxable or tax deductible in Norway and subject to the same taxation as a capital gain or loss generated through realisation of shares, please refer "Taxation of capital gains on realisation of shares — Norwegian Personal Shareholders" above.

#### **Norwegian Corporate shareholders**

A Norwegian Corporate Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

Sale and other transfer of subscription rights are considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Corporate Shareholder through a realisation of subscription rights is taxable or tax deductible in Norway and subject to the same taxation as a capital gain or loss generated through realisation of shares, please refer "Taxation of capital gains on realisation of shares — Norwegian Corporate Shareholders" above.

### **Non-Norwegian Shareholders**

As a general rule, capital gains generated by Non-Norwegian tax resident Shareholders are not taxable in Norway unless the Non-Norwegian Shareholder holds the subscription rights in connection with the conduct of a trade or business in Norway.

#### *17.2.4 Net wealth tax*

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

#### *17.2.5 VAT and transfer taxes*

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

#### *17.2.6 Inheritance tax*

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

## **18 THE TERMS OF THE RIGHTS ISSUE**

### **18.1 Overview**

The Rights Issue consists of an offer by the Company to issue 8,559,810,000 Offer Shares at a Subscription Price of NOK 0.10 per Offer Share, thereby raising gross proceeds of NOK 855,981,000. The Rights Issue is an integral part of the 2016 Financial Plan (see Section 13 "The 2016 Financial Plan").

Existing Shareholders will be granted tradable Subscription Rights that, subject to certain limitations based on applicable laws and regulations, provide preferential rights to subscribe for, and be allocated, Offer Shares at the Subscription Price in the Rights Issue. Over-subscription and subscription without Subscription Rights will be permitted; however, there can be no assurance that Offer Shares will be allocated for such subscriptions.

Subject to certain conditions, as further described in Section 18.20 "The Underwriting" below, BW Group has undertaken to subscribe for Offer Shares based on its pro rata holding in the Company corresponding to 49.9349% of the Rights Issue (i.e. NOK 427,432,991.50), funds and accounts managed by Fidelity Management & Research Company and its affiliates (together, the "**Fidelity Funds**") have undertaken to subscribe for Offer Shares based on their respective holding in the Company corresponding to in total 9.3179% of the Rights Issue (i.e. NOK 79,759,443.00) and Carl K. Arnet, Hilde Arnet, Johan Arnet and Tarald Arnet (together with BW Group and the Fidelity Funds, the "**Pre-committing Shareholders**") have undertaken to subscribe for Offer Shares based on their respective holding in the Company corresponding to in total 1.1374% of the Rights Issue (i.e. NOK 9,735,934.60). The remaining part of the Rights Issue, i.e. the Offer Shares for which the Pre-committing Shareholders have not undertaken to subscribe, is underwritten by the Underwriters pursuant to, and subject to the conditions and limitations in, the Underwriting Agreement, as further described in Section 18.20 "The Underwriting" below.

The Offer Shares allocated in the Rights Issue are expected to be traded on the Oslo Stock Exchange from and including 22 July 2016.

Completion of the Rights Issue is subject to certain conditions, see Section 18.4 "Conditions for completion of the Rights Issue".

The Subscription Rights and the Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold: (i) in the United States only to QIBs as defined in Rule 144A or in other transactions exempt from registration requirements under the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S and on exemptions provided by the Prospectus Directive in a Relevant Member State in each case, in compliance with any applicable laws and regulations.

This Prospectus does not constitute an offer of, or an invitation to purchase or subscribe, the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. For further details, see "Important information" and Section 19 "Selling and transfer restrictions".

### **18.2 Use of proceeds**

The net proceeds from the Rights Issue are expected to be approximately NOK 833 million. The net proceeds will be used for general corporate purposes.

### **18.3 Resolution to issue the Offer Shares**

The Company has an authorised and unissued share capital of USD 107,000,000 and the Board of Directors has the power under the Company's Bye-laws to issue up to 10,011,993,996 new Shares of USD 0.01 each. The Board of Directors approved the Rights Issue and the establishment of a transaction committee among the Directors by unanimous written resolutions dated 24 June 2016. On 26 June 2016, the transaction committee resolved to increase the issued share capital in the Company by USD 85,598,100 by the issuance of 8,559,810,000 Offer Shares.

### **18.4 Conditions for completion of the Rights Issue**

The completion of the Rights Issue is conditional upon (i) the Pre-committing Shareholders having validly subscribed for Offer Shares in accordance with the Underwriting Agreement and (ii) that, unless the Rights Issue is fully subscribed, the Underwriting Agreement remains in full force and effect and the conditions precedent set out therein being fulfilled or waived. Furthermore, the Rights Issue will not be completed if it is evident to the Company, at the scheduled time of completion, the conditions precedent for the credit facilities and bond loans will not be satisfied or waived. See Section 18.20 "The Underwriting" for a description of the underwriting and the Underwriting Agreement,

including the conditions and termination rights to which the underwriting is subject, and Section 13 "The 2016 Financial Plan" for a description of the amendments to the Company's credit facilities and bond loans.

If it becomes clear that the above conditions will not be satisfied, the Rights Issue will be withdrawn. If the Rights Issue is withdrawn, all Subscription Rights will lapse without value, any subscriptions for, and allocations of, Offer Shares that have been made will be disregarded and any payments for Offer Shares made will be returned to the subscribers without interest or any other compensation. The lapsing of Subscription Rights shall be without prejudice to the validity of any trades in Subscription Rights, and investors will not receive any refund or compensation in respect of purchased Subscription Rights. The Company and the Managers do not accept any responsibility or liability with respect to the withdrawal of the Rights Issue or any related effects on any trades in Subscription Rights or Offer Shares.

### 18.5 Timetable

The timetable set out below provides certain indicative key dates for the Rights Issue:

Last day of trading in the Shares including Subscription Rights	28 June 2016
First day of trading in the Shares excluding Subscription Rights	29 June 2016
Record Date	30 June 2016
Subscription Period commences	1 July 2016
Trading in Subscription Rights commences on the Oslo Stock Exchange	1 July 2016
Trading in Subscription Rights ends	13 July 2016 at 16:30 hours (CET)
Subscription Period ends	15 July 2016 at 16:30 hours (CET)
Allocation of the Offer Shares	Expected on or about 18 July 2016
Distribution of allocation letters	Expected on or about 18 July 2016
Payment Date	Expected on or about 20 July 2016
Delivery of the Offer Shares	Expected on or about 22 July 2016
Listing and commencement of trading in the Offer Shares on the Oslo Stock Exchange	Expected on or about 22 July 2016

### 18.6 Subscription Price

The Subscription Price in the Rights Issue is NOK 0.10 per Offer Share. The Subscription Price represents a discount of approximately 85.3% to the closing price of NOK 0.68 per Share as quoted on the Oslo Stock Exchange on 24 June 2016, and a discount of approximately 30.1% to the theoretical price of the Shares following the Rights Issue of NOK 0.143 (TERP), calculated on the basis of the closing price per Share of NOK 0.68 on 24 June 2016.

### 18.7 Subscription Period

The Subscription Period will commence at 09:00 hours (CET) on 1 July 2016 and end at 16:30 hours (CET) on 15 July 2016. The Subscription Period may not be shortened or extended, unless required by law.

### 18.8 Record Date for Existing Shareholders

Shareholders who are registered in the Company's shareholder register in the VPS as of the Record Date (30 June 2016) will receive Subscription Rights.

Provided that the delivery of traded Shares was made with ordinary T+2 settlement in the VPS, Shares that were acquired until and including 28 June 2016 will give the right to receive Subscription Rights, whereas Shares that were acquired from and including 29 June 2016 will not give the right to receive Subscription Rights.

### 18.9 Subscription Rights

Existing Shareholders will be granted Subscription Rights giving, subject to certain limitations based on applicable laws and regulations, a preferential right to subscribe for, and be allocated, Offer Shares in the Rights Issue. Each Existing Shareholder will be granted 12.48664 Subscription Rights for every existing Share registered as held by such Existing Shareholder on the Record Date. The number of Subscription Rights granted to each Existing Shareholder will be rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to certain limitations based on applicable laws and regulations, give the right to subscribe for, and be allocated, one Offer Share in the Rights Issue. Subscription Rights will not be issued in respect of any existing Shares held in treasury by the Company.

The Subscription Rights will be credited to and registered on each Existing Shareholder's VPS account on or about 1 July 2016 under ISIN BMG1738J1163. The Subscription Rights will be distributed free of charge to Existing Shareholders.

The Subscription Rights may be used to subscribe for Offer Shares in the Rights Issue before the expiry of the Subscription Period at 16:30 hours (CET) on 15 July 2016 or be sold before 13 July 2016 at 16:30 hours (CET). Acquired Subscription Rights will give the same right to subscribe for, and be allocated, Offer Shares as Subscription Rights granted to Existing Shareholders on the basis of their shareholdings on the Record Date.

**The Subscription Rights, including acquired Subscription Rights, must be used to subscribe for Offer Shares before the end of the Subscription Period (i.e. on 15 July 2016 at 16:30 hours (CET)) or be sold before 13 July 2016 at 16:30 hours (CET). Subscription Rights that are not sold before 13 July 2016 at 16:30 hours (CET) or exercised before 15 July 2016 at 16:30 hours (CET) will have no value and will lapse without compensation to the holder. Holders of Subscription Rights (whether granted or acquired) should note that subscriptions for Offer Shares must be made in accordance with the procedures set out in this Prospectus and that the acquisition of Subscription Rights does not in itself constitute a subscription for Offer Shares.**

Subscription Rights of Existing Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offer Shares (the "**Ineligible Shareholders**") will initially be credited to such Ineligible Shareholders' VPS accounts. Such credit specifically does not constitute an offer of the Subscription Rights or Offer Shares to Ineligible Shareholders. The Company will instruct the Managers to, as far as possible, withdraw the Subscription Rights from such Ineligible Shareholders' VPS accounts, and may sell such Subscription Rights from and including 11 July 2016 to 16:30 hours (CET) on 13 July 2016 for the account and risk of such Ineligible Shareholders, unless the relevant Subscription Rights are held through a financial intermediary. See Section 18.13 "Financial intermediaries" below for a description of the procedures applicable to Subscription Rights held by Ineligible Shareholders through financial intermediaries.

The Managers will use commercially reasonable efforts to procure that the Subscription Rights withdrawn from the VPS accounts of Ineligible Shareholders (and that are not held through financial intermediaries) are sold on behalf of, and for the benefit of, such Ineligible Shareholders during such period, provided that (i) the Managers are able to sell the Subscription Rights at a price at least equal to the anticipated costs related to the sale of such Subscription Rights, and (ii) the relevant Ineligible Shareholder has not by 16:30 hours (CET) on 8 July 2016 documented to the Company through the Managers the right to receive the Subscription Rights withdrawn from its VPS account, in which case the Managers shall re-credit the withdrawn Subscription Rights to the VPS account of the relevant Ineligible Shareholder. The proceeds from the sale of the Subscription Rights (if any), after deduction of customary sales expenses, will be credited to the Ineligible Shareholder's bank account registered in the VPS for payment of dividends, provided that the net proceeds attributable to such Ineligible Shareholder amount to or exceed NOK 100. If an Ineligible Shareholder does not have a bank account registered in the VPS, the Ineligible Shareholder must contact the Managers to claim the proceeds. If the net proceeds attributable to an Ineligible Shareholder are less than NOK 100, such amount will be retained for the benefit of the Company. There can be no assurance that the Managers will be able to withdraw and/or sell the Subscription Rights at a profit or at all. Other than as explicitly stated above, neither the Company nor the Managers will conduct any sale of Subscription Rights not utilised before the end of the Subscription Period.

#### **18.10 Trading in Subscription Rights**

Existing Shareholders will be granted Subscription Rights giving, subject to certain limitations based on applicable laws and regulations, a preferential right to subscribe for, and be allocated, Offer Shares in the Rights Issue. Each Existing Shareholder will be granted 12.48664 Subscription Rights for every existing Share registered as held by such Existing Shareholder on the Record Date.

The Subscription Rights will be fully tradable and listed on the Oslo Stock Exchange with ticker code "BWO T" from and including 1 July 2016 to 16:30 hours (CET) on 13 July 2016.

**The Subscription Rights will hence only be tradable during a part of the Subscription Period.**

Persons intending to trade in Subscription Rights should be aware that the trading in, and exercise of, Subscription Rights by holders who are located in jurisdictions outside Norway may be restricted or prohibited by applicable securities laws. See Section 19 "Selling and transfer restrictions" for a description of such restrictions and prohibitions.

#### **18.11 Subscription procedures**

Subscriptions for Offer Shares must be made by submitting a correctly completed subscription form (the "**Subscription Form**") to one of the subscription offices (the "**Subscription Offices**") listed below during the

Subscription Period, or may, for subscribers who are residents of Norway with a Norwegian personal identification number, be made online as further described below.

Subscriptions for Offer Shares by subscribers who are not Existing Shareholders must be made on a Subscription Form in the form included in Appendix B "Subscription form for the Rights Issue". Existing Shareholders may also choose to use such Subscription Form.

Correctly completed Subscription Forms must be received by the Subscription Offices at the following addresses or e-mail addresses by, or in the case of online subscriptions be registered by, no later than 16:30 hours (CET) on 15 July 2016:

Danske Bank  
Bryggetorget 4  
P.O. Box 1170 Sentrum  
N-0107 Oslo  
Norway  
Tel: +47 85 40 55 00  
E-mail: emisjoner@danskebank.com  
www.danskebank.no/bwo

DNB Markets, Registrars Department  
Dronning Eufemias gate 30  
P.O. Box 1600 Sentrum  
N-0021 Oslo  
Norway  
Tel: +47 23 26 81 01  
E-mail: retail@dnb.no  
www.dnb.no/emisjoner

Nordea Markets, Issuer Services  
Essendropsgate 7  
P.O. Box 1166 Sentrum  
N-0368 Oslo  
Norway  
Tel: +47 24 01 34 62  
E-mail: nis@nordea.com  
www.nordea.no/bwo

Pareto Securities  
Dronning Mauds gate 3  
P.O. Box 1411 Vika  
N-0115 Oslo  
Norway  
Tel: +47 22 87 87 00  
E-mail: subscription@paretosec.com  
www.paretosec.com

SEB  
Filipstad Brygge 1  
P.O. Box 1843 Vika  
N-0123 Oslo  
Norway  
Tel: +47 22 82 70 00  
E-mail: subscriptions@seb.no  
www.seb.no

Swedbank Norge, Oppgjør Aksjer  
Filipstad Brygge 1  
P.O. Box 1441 Vika  
N-0115 Oslo  
Norway  
Tel: +47 04010  
E-mail: subscription@swedbank.no  
www.swedbank.no

**Subscribers who are residents of Norway with a Norwegian personal identification number may also subscribe for Offer Shares through the VPS online subscription system (or by following the link on [www.danskebank.no/bwo](http://www.danskebank.no/bwo), [www.dnb.no/emisjoner](http://www.dnb.no/emisjoner), [www.nordea.no/bwo](http://www.nordea.no/bwo), [www.paretosec.com](http://www.paretosec.com), [www.seb.no](http://www.seb.no) and [www.swedbank.no](http://www.swedbank.no) which will redirect the subscriber to the VPS online subscription system).** All online subscribers must verify that they are Norwegian residents by entering their national identity number (*Nw.: personnummer*). In addition, the VPS online subscription system is only available for individual persons and is not available for legal entities; legal entities must thus submit a Subscription Form in order to subscribe for Offer Shares.

None of the Company or the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Subscription Offices. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after having been received by the Subscription Offices or, in the case of subscriptions through the VPS online subscription system, upon registration of the subscription. The subscriber is responsible for the correctness of the information filled into the Subscription Form or, in the case of subscriptions through the VPS online subscription system, the online subscription registration. By signing and submitting a Subscription Form, or by registration of a subscription in the VPS online subscription system, the subscribers confirm and warrant that they have read this Prospectus and are eligible to subscribe for Offer Shares under the terms set forth herein.

There is no minimum subscription amount for which subscriptions in the Rights Issue must be made. Over-subscription (i.e. subscription for more Offer Shares than the number of Subscription Rights held by the subscriber entitles the subscriber to be allocated) and subscription without Subscription Rights will be permitted. However, in each case, there can be no assurance that Offer Shares will be allocated for such subscriptions.

Multiple subscriptions (i.e. subscriptions on more than one Subscription Form) are allowed. Note, however, that two separate Subscription Forms submitted by the same subscriber with the same number of Offer Shares subscribed for on both Subscription Forms will only be counted once unless otherwise explicitly stated in one of the Subscription

Forms. In the case of multiple subscriptions through the VPS online subscription system or subscriptions made both on a Subscription Form and through the VPS online subscription system, all subscriptions will be counted.

All subscriptions in the Rights Issue will be treated in the same manner regardless of which of the above Subscription Offices the subscriptions are placed with. Furthermore, all subscriptions will be treated in the same manner regardless of whether they are made by delivery of a Subscription Form to the Subscription Offices or through the VPS online subscription system.

### **18.12 Mandatory anti-money laundering procedures**

The Rights Issue is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 no. 302 (collectively, the "**Anti-Money Laundering Legislation**").

Subscribers who are not registered as existing customers of the Managers must verify their identity to the Managers in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form, or when registering a subscription through the VPS online subscription system, are exempted, unless verification of identity is requested by the Managers. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period may not be allocated Offer Shares.

Furthermore, participation in the Rights Issue is conditional upon the subscriber holding a VPS account. The VPS account number must be stated on the Subscription Form or when registering a subscription through the VPS online subscription system. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised investment firms in Norway and Norwegian branches of credit institutions established within the EEA. However, investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of VPS accounts requires verification of identification by the relevant VPS registrar in accordance with the Anti-Money Laundering Legislation.

### **18.13 Financial intermediaries**

#### *18.13.1 General*

All persons or entities holding Shares or Subscription Rights through financial intermediaries (i.e. brokers, custodians and nominees) should read this Section 18.13 "Financial intermediaries". All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure or as it otherwise notifies each beneficial shareholder. Neither the Company nor any of the Managers is liable for any action or failure to act by a financial intermediary through which Shares are held.

#### *18.13.2 Subscription Rights*

If an Existing Shareholder holds Shares registered through a financial intermediary on the Record Date, the financial intermediary will customarily give the Existing Shareholder details of the aggregate number of Subscription Rights to which it will be entitled. The relevant financial intermediary will customarily supply each Existing Shareholder with this information in accordance with its usual customer relations procedures. Existing Shareholders holding Shares through a financial intermediary should contact the financial intermediary if they have received no information with respect to the Rights Issue.

Subject to applicable law, Existing Shareholders holding Shares through a financial intermediary may instruct the financial intermediary to sell some or all of their Subscription Rights, or to purchase additional Subscription Rights on their behalf. See Section 19 "Selling and transfer restrictions" for a description of certain restrictions and prohibitions applicable to the sale and purchase of Subscription Rights in certain jurisdictions outside Norway.

Existing Shareholders who hold their Shares through a financial intermediary and who are Ineligible Shareholders will not be entitled to exercise their Subscription Rights but may, subject to applicable law, instruct their financial intermediary to sell their Subscription Rights transferred to the financial intermediary. As described in Section 18.9 "Subscription Rights", neither the Company nor the Managers will sell any Subscription Rights transferred to financial intermediaries.

**18.13.3 Subscription Period and period for trading in Subscription Rights**

The time by which notification of exercise instructions for subscription of Offer Shares must validly be given to a financial intermediary may be earlier than the expiry of the Subscription Period. The same applies for instructions pertaining to trading in Subscription Rights and the last day of trading in such rights (which accordingly will be a deadline earlier than 13 July 2016 at 16:30 hours (CET)). Such deadlines will depend on the financial intermediary. Existing Shareholders who hold their Shares through a financial intermediary should contact their financial intermediary if they are in any doubt with respect to deadlines.

**18.13.4 Subscription**

Any Existing Shareholder who is not an Ineligible Shareholder and who holds its Subscription Rights through a financial intermediary and wishes to exercise its Subscription Rights, should instruct its financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Existing Shareholders and for informing the Subscription Offices of their exercise instructions.

A person or entity who has acquired Subscription Rights that are held through a financial intermediary should contact the relevant financial intermediary for instructions on how to exercise the Subscription Rights.

See Section 19 "Selling and transfer restrictions" below for a description of certain restrictions and prohibitions applicable to the exercise of Subscription Rights in certain jurisdictions.

**18.13.5 Method of payment**

Any Existing Shareholder who holds its Subscription Rights through a financial intermediary should pay the Subscription Price for the Offer Shares that are allocated to it in accordance with the instructions received from the financial intermediary. The financial intermediary must pay the Subscription Price in accordance with the instructions in the Prospectus. Payment by the financial intermediary for the Offer Shares must be made to DNB Markets no later than the Payment Date. Accordingly, financial intermediaries may require payment to be provided to them prior to the Payment Date.

**18.14 Allocation of Offer Shares**

Allocation of the Offer Shares will take place on or about 18 July 2016 in accordance with the following criteria:

- (i) Allocation of Offer Shares to subscribers will be made in accordance with granted and acquired Subscription Rights which have been validly exercised during the Subscription Period. Each Subscription Right will give the right to subscribe for, and be allocated, one Offer Share in the Rights Issue.
- (ii) If not all Subscription Rights are validly exercised during the Subscription Period, subscribers having exercised their Subscription Rights and who have over-subscribed will be allocated additional Offer Shares on a pro rata basis based on the number of Subscription Rights exercised by each such subscriber. To the extent that pro rata allocation is not possible, the Company will determine the allocation by the drawing of lots.
- (iii) Offer Shares not allocated pursuant to (i) and (ii) above will be allocated to subscribers not holding Subscription Rights. Allocation will be made on a pro rata basis based on the relevant subscription amounts, provided, however, that such allocations may be rounded down to the nearest 10 Shares.
- (iv) Offer Shares not allocated pursuant to (i), (ii) and (iii) above will be subscribed by, and allocated to, the Underwriters based on, and in accordance with, the underwriting obligation of the respective Underwriters.

No fractional Offer Shares will be allocated. The Company reserves the right to round off, reject or reduce any subscription for Offer Shares not covered by Subscription Rights. Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated.

The result of the Rights Issue is expected to be published on or about 18 July 2016 in the form of a stock exchange announcement from the Company through the Oslo Stock Exchange's information system and at the Company's website. Notifications of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from the VPS on or about 18 July 2016. Subscribers having access to investor services through their VPS account manager will be able to check the number of Offer Shares allocated to

them from 12:00 hours (CET) on 18 July 2016. Subscribers who do not have access to investor services through their VPS account manager may contact one of the Subscription Offices from 12:00 hours (CET) on 18 July 2016 to obtain information about the number of Offer Shares allocated to them.

### **18.15 Payment for the Offer Shares**

The payment for Offer Shares allocated to a subscriber falls due on 20 July 2016 (the "**Payment Date**"). Payment must be made in accordance with the requirements set out in Sections 18.15.1 "Subscribers who have a Norwegian bank account" or 18.15.2 "Subscribers who do not have a Norwegian bank account".

#### *18.15.1 Subscribers who have a Norwegian bank account*

Subscribers who have a Norwegian bank account must, and will by signing the Subscription Form, provide DNB Markets, or someone appointed by DNB Markets, with a one-time irrevocable authorisation to debit a specified Norwegian bank account for the amount payable for the Offer Shares which are allocated to the subscriber.

The specified bank account is expected to be debited on or after the Payment Date. DNB Markets is only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date.

The subscriber furthermore authorises DNB Markets to obtain confirmation from the subscriber's bank that the subscriber has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment.

If there are insufficient funds in a subscriber's bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the subscriber, the subscriber's obligation to pay for the Offer Shares will be deemed overdue.

Payment by direct debiting is a service that banks in Norway provide in cooperation. In the relationship between the subscriber and the subscriber's bank, the standard terms and conditions for "Payment by Direct Debiting – Securities Trading", which are set out on page 2 of the Subscription Form, will apply, provided, however, that subscribers who subscribe for an amount exceeding NOK 5 million by signing the Subscription Form provide DNB Markets with a one-time irrevocable authorisation to directly debit the specified bank account for the entire subscription amount.

#### *18.15.2 Subscribers who do not have a Norwegian bank account*

Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date.

Prior to any such payment being made, the subscriber must contact DNB Markets (telephone number +47 23 26 81 01) for further details and instructions.

#### *18.15.3 Overdue payments*

Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 no. 100, currently 8.75% per annum as at the date of this Prospectus. If a subscriber fails to comply with the terms of payment, the Offer Shares will, subject to the discretion of the Company, not be delivered to such subscriber.

The Underwriters will, in accordance with the Underwriting Agreement and up to the respective amounts underwritten by them, on 21 July 2016 pay any subscription amounts not paid by subscribers when due, on behalf of such non-paying subscribers, in order to secure issuance of the Offer Shares without delay. The payment guarantee by the Underwriters does, however, not cover the payment obligations of the Pre-committing Shareholders pursuant to their subscription undertakings and the payment obligations of the other Underwriters (for any unsubscribed Offer Shares allocated to them or under the payment guarantee). The non-paying subscribers will remain fully liable for the subscription amount payable for the Offer Shares allocated to them, irrespective of such payment by the Underwriters. The Offer Shares allocated to such subscribers will be transferred to a VPS account operated by DNB Markets on behalf of the Underwriters and will be transferred to the non-paying subscribers when payment of the subscription amount for the relevant Offer Shares is received. However, the Underwriters reserve the right to sell or assume ownership of the Offer Shares from and including the fourth day after the Payment Date without further notice to the subscriber in question if payment has not been received within the third day after the Payment Date. If the Offer Shares are sold on behalf of the subscriber, the subscriber will be liable for any loss, costs, charges and expenses suffered or incurred by

the Company and/or the Underwriters as a result of or in connection with such sales. The Company and/or the Underwriters may enforce payment for any such amount outstanding in accordance with applicable law. The Underwriters' obligations to pay for the Offer Shares pursuant to the payment guarantee is subject to the satisfaction or waiver of the conditions set out in the Underwriting Agreement, see Section 18.20 "The Underwriting".

#### **18.16 Delivery and listing of the Offer Shares**

Subject to timely payment of the entire subscription amount in the Rights Issue, the Company expects that the Offer Shares will be issued and delivered to the VPS accounts of the subscribers to whom they are allocated on or about 22 July 2016.

The Shares are listed on the Oslo Stock Exchange under ISIN BMG1190N1002 and ticker code "BWO". The Offer Shares will be listed on the Oslo Stock Exchange as soon as the Offer Shares have been registered in the VPS. This is expected to take place on or about 22 July 2016.

The Offer Shares may not be transferred or traded before they are fully paid and the registration of the Offer Shares and the VPS has taken place.

#### **18.17 The rights conferred by the Offer Shares**

The Offer Shares in the Rights Issue will be issued in accordance with Bermuda law and the Bermuda Companies Act. The Offer Shares will in all respects rank *pari passu* with all other Shares in issue, and will be eligible for any dividend that the Company may declare on the Shares after the delivery of the beneficial interests in the Offer Shares through registration in the VPS (expected on or around 22 July 2016). See Section 15 "Corporate information and description of the share capital" for a description of rights attached to the Shares.

#### **18.18 VPS registration**

The Subscription Rights will be registered in the VPS under ISIN BMG1738J1163. The beneficial interests in the Offer Shares will be registered in book-entry form with the VPS, with the same ISIN as the existing Shares, i.e. ISIN BMG1190N1002, while the Offer Shares will be registered in the name of DNB in the register of members of the Company in Bermuda. The Company's register of shareholders with the VPS is administrated by DNB, Registrars Department, N-0021 Oslo, Norway. See Section 15.6 "VPS registration of the Shares" for a description of the VPS registration of the Shares.

#### **18.19 Dilution**

The Rights Issue will result in an immediate dilution of approximately 92.6% for Existing Shareholders who do not participate in the Rights Issue.

#### **18.20 The Underwriting**

The Company, the Pre-committing Shareholders and the Underwriters have entered into the Underwriting Agreement dated 22 May 2016, as amended, and a pricing supplement dated 26 June 2016, pursuant to which the Underwriters have undertaken, severally and not jointly or jointly and severally, to underwrite an aggregate amount of NOK 339,052,630.90 in the Rights Issue. Subject to the terms and conditions of the Underwriting Agreement, the Underwriters have, on a pro rata basis and limited to their respective underwritten amounts as set out in the table below, undertaken to subscribe and pay for the Offer Shares (less the Offer Shares to be subscribed for by the Pre-committing Shareholders) not subscribed for during the Subscription Period on or prior to the Payment Date.

The table below shows the subscription amount the Underwriters have undertaken to underwrite.

<b>Name</b>	<b>Address</b>	<b>Underwritten amount (NOK)</b>	<b>Percent of the Rights Issue</b>
ABN AMRO	Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands	84,763,157.70	9.9025%
Danske Bank	Bryggetorget 4, N-0107 Oslo, Norway	84,763,157.70	9.9025%
DNB Markets	Dronning Eufemias gate 30, N- 0191 Oslo, Norway	84,763,157.80	9.9025%
Nordea Markets	Essendrops gate 7, N-0107 Oslo, Norway	84,763,157.70	9.9025%
		<b>339,052,630.90</b>	<b>39.6098%</b>

The Underwriters' obligations to subscribe to and pay for the Offer Shares allocated to them in accordance with the Underwriting Agreement are conditional upon the following conditions: (i) the Pre-committing Shareholders having subscribed for at least 60.3902% of the Rights Issue before the expiry of the Subscription Period, (ii) binding commitments from the relevant banks, other financial institutions and bondholder meetings regarding the amendments to the Company's credit facilities and bond loans as part of the 2016 Financial Plan and (iii) certain other customary conditions. These conditions include, but are not limited to: (i) no change, event, effect or condition having occurred that has or would have, individually or in the aggregate, an effect on the current or future business, assets, liabilities, liquidity, solvency or funding position or condition (financial or otherwise) or results of the Company and its subsidiaries taken as a whole, which in the good faith opinion of the Underwriters is so material and adverse as to make it inadvisable to proceed with the Rights Issue or the delivery of the Offer Shares on the terms and in the manner contemplated in this Prospectus; (ii) no event giving the Underwriters or Pre-Committing Shareholders a right to terminate the Underwriting Agreement having occurred; and (iii) delivery of certain closing deliverables to be provided by the Company and certain third parties as further set out in the Underwriting Agreement.

The Underwriters representing a majority of the total underwriting commitment pursuant to the Underwriting Agreement may terminate the Underwriting Agreement on behalf of themselves, the other Underwriters and the Pre-committing Shareholders in the event that: (a) the Company is in material breach of the Underwriting Agreement; (b) (i) any withdrawal of admission to listing of the Offer Shares or any suspension of, or limitation on prices for, trading in the Existing Shares of the Company on the Oslo Stock Exchange (if such withdrawal, suspension or limitation occurs on, is continuing after or occurs after the date of the Underwriting Agreement), or in equity securities generally on the Oslo Stock Exchange or on the London Stock Exchange or the New York Stock Exchange or another stock exchange or regulated market place within the EEA; (ii) any declaration of a banking moratorium or suspension of payments in respect of banks generally in Norway, New York or the United Kingdom or in another EEA country or with the respect to the European Central Bank; (iii) any change or developments involving a prospective change in the international financial markets, or in the financial markets of or in financial, political, monetary or economic conditions in Norway, the United Kingdom or the United States or in another EEA country, or any outbreak or escalation of hostilities or any other calamity or crisis; (iv) any material change in currency exchange rates or foreign exchange controls, or a disruption of settlement systems or commercial banking in Norway, the United Kingdom or the United States or in another EEA country; or (v) there has occurred a change or development involving a change in taxation affecting the Company, the Offer Shares or the transfer thereof, and the effect of any of the events described in (i) to (v), in the good faith opinion of the Underwriters, is material and makes it impracticable or inadvisable to proceed with the Rights Issue or the underwriting of the Offer Shares or materially and adversely affects dealings in the Offer Shares following the Payment Date; or (c) there is information contained in the Prospectus (and/or in any other publication or announcement issued or to be issued by the Company on or after the date of the Underwriting Agreement), and which in the good faith opinion of the Underwriters is (singly or in aggregate) so material in the context of the Rights Issue or the underwriting of the Offer Shares as to make it impracticable or inadvisable to proceed with the Rights Issue or the underwriting of the Offer Shares.

If the conditions for the underwriting obligations of the Underwriters are not met or waived by 24:00 hours (CET) on 31 October 2016, the obligations of the respective Underwriters will expire. In such event, the Rights Issue will be withdrawn unless it is fully subscribed. See Section 18.4 "Conditions for completion of the Rights Issue" for a description of the consequences of a withdrawal of the Rights Issue.

Pursuant to the Underwriting Agreement, the Company has undertaken not to issue any Shares other than the Offer Shares issued in the Rights Issue for a period of four months from the Payment Date without the prior written consent of at least three of the Underwriters (other than as consideration for options, subscription rights and similar rights already issued at the date of the Underwriting Agreement or as part of incentive schemes for key employees).

Pursuant to the Underwriting Agreement, the Underwriters will upon completion of the Rights Issue receive an underwriting commission equal to 1.75% of the total underwritten amount (to be allocated between the Underwriters based on their respective portions of the total underwritten amount). Likewise, the Pre-committing Shareholders will receive a pre-commitment fee equal to 1.75% of their respective pre-committed amount.

#### **18.21 Net proceeds and expenses related to the Rights Issue**

The Company will bear the fees and expenses related to the Rights Issue, which are estimated to amount to approximately NOK 23 million, of which approximately NOK 15 million are underwriting fees to the Underwriters and pre-commitment fees to the Pre-committed Shareholders as described in Section 18.20 "The Underwriting", and approximately NOK 8 million are other fees, costs and expenses. No expenses or taxes will be charged by the Company or the Managers to the subscribers in the Rights Issue.

Total net proceeds from the Rights Issue are estimated to amount to approximately NOK 833 million. For a description of the use of such proceeds, see Section 18.2 "Use of proceeds".

#### **18.22 Interest of natural and legal persons involved in the Rights Issue**

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. Furthermore, in connection with the Rights Issue, the Managers, their employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Existing Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Subscription Rights or Offer Shares and any other securities of the Company or other investments for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Rights Issue. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Furthermore, the Managers will receive fees in connection with the Rights Issue and other parts of the 2016 Financial Plan and, as such, have an interest in the Rights Issue. See Section 18.21 "Net proceeds and expenses related to the Rights Issue" for information on fees to the Managers in connection with the Rights Issue.

In addition, the Managers or their affiliates may be lenders to the Group and as such have an interest in the 2016 Financial Plan, of which the Rights Issue is an integral part. All of the Managers, except for Pareto Securities, are financing parties under the Group's credit facilities. See Section 11.6.2 "Credit facilities" for further details about the Group's credit facilities.

#### **18.23 Participation of major Existing Shareholders and members of the Company's management, supervisory and administrative bodies in the Rights Issue**

Except for the commitment by the Pre-committing Shareholders to subscribe for Offer Shares pursuant to the Underwriting Agreement (see Section 18.20 "The Underwriting" above), the Company is not aware of whether any major shareholders of the Company or members of the Company's management, supervisory or administrative bodies intend to subscribe for Offer Shares in the Rights Issue, or whether any person intends to subscribe for more than 5% of the Rights Issue.

#### **18.24 Publication of information relating to the Rights Issue**

In addition to press releases which will be posted on the Company's website, the Company will use the Oslo Stock Exchange's information system to publish information relating to the Rights Issue.

#### **18.25 Governing law and jurisdiction**

The Subscription Forms and the terms and conditions of the Rights Issue shall be governed by, and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, the Subscription Forms or the Rights Issue shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

## 19 SELLING AND TRANSFER RESTRICTIONS

### 19.1 General

The grant of Subscription Rights and issue of the Offer Shares upon exercise of Subscription Rights and the offer of unsubscribed Offer Shares to persons resident in, or who are citizens of countries other than Norway, may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to exercise Subscription Rights or purchase Offer Shares.

The Company is not taking any action to permit a public offering of the Subscription Rights and Offer Shares in any jurisdiction other than Norway. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any territory other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Subscription Rights and Offer Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Subscription Rights and Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer the Subscription Rights and Offer Shares to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the investor forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the investor should direct the recipient's attention to the contents of this Section.

Except as otherwise noted in this Prospectus and subject to certain exceptions: (i) the Subscription Rights and Offer Shares being granted or offered, respectively, in the Rights Issue may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, member states of the EEA that have not implemented the Prospectus Directive, the United States or any other jurisdiction in which it would not be permissible to offer the Subscription Rights and/or the Offer Shares (the "**Ineligible Jurisdictions**"); (ii) this Prospectus may not be sent to any person in any Ineligible Jurisdiction; and (iii) the crediting of Subscription Rights to an account of an Ineligible Shareholder or other person in an Ineligible Jurisdiction or a citizen of an Ineligible Jurisdiction (referred to as "**Ineligible Persons**") does not constitute an offer to such persons of the Subscription Rights or the Offer Shares. Ineligible Persons may not exercise Subscription Rights.

If an investor takes up, delivers or otherwise transfers Subscription Rights, exercises Subscription Rights to obtain Offer Shares or trades or otherwise deals in the Subscription Rights and Offer Shares, that investor will be deemed to have made or, in some cases, be required to make, the following representations and warranties to the Company and any person acting on the Company's or its behalf, including the Managers:

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- unless the investor is a QIB, the investor is located outside the United States and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the United States and, upon acquiring Offer Shares, the investor and any such person will be located outside the United States;
- the investor understands that the Subscription Rights and Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged, resold, granted, delivered, allocated, taken up or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the U.S. Securities Act; and
- the investor may lawfully be offered, take up, subscribe for and receive Subscription Rights and Offer Shares in the jurisdiction in which it resides or is currently located.

The Company and any persons acting on behalf of the Company, including the Managers, will rely upon the investor's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to the Company with respect to the exercise of Subscription Rights on behalf of the holder. If such person cannot or is unable to provide the foregoing representations and warranties, the Company will not be bound to authorise the allocation of any of the Subscription Rights and Offer Shares to that person or the person on whose behalf the other is acting. Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees and trustees) is outside Norway and wishes to exercise or otherwise deal in or subscribe for Subscription Rights and/or Offer Shares, the investor must satisfy itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

**The information set out in this Section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights or subscribe for the Offer Shares, that investor should consult its professional adviser without delay.**

Subscription Rights will initially be credited to financial intermediaries for the accounts of all shareholders who hold Shares registered through a financial intermediary on the Record Date. Subject to certain exceptions, financial intermediaries, which include brokers, custodians and nominees, may not exercise any Subscription Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of Subscription Rights to provide certifications to that effect.

Financial intermediaries may sell any and all Subscription Rights held for the benefit of Ineligible Persons to the extent permitted under their arrangements with such Ineligible Persons and applicable law and remit the net proceeds to the accounts of such Ineligible Persons.

Subject to certain exceptions, financial intermediaries are not permitted to send this Prospectus or any other information about the Rights Issue into any Ineligible Jurisdiction or to any Ineligible Persons. Subject to certain exceptions, exercise instructions or certifications sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and Offer Shares will not be delivered to an addressee in any Ineligible Jurisdiction. The Company reserves the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such Subscription Rights and Offer Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is acting on a non-discretionary basis for such persons, or who appears to the Company or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appears to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this Prospectus, the Company reserves the right to permit a holder to exercise its Subscription Rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, the Company does not accept any liability for any actions that a holder takes or for any consequences that it may suffer as a result of the Company accepting the holder's exercise of Subscription Rights.

No action has been or will be taken by the Managers to permit the possession of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Rights Offering) in any jurisdiction where such distribution may lead to a breach of any law or regulatory requirement.

Neither the Company nor the Managers, nor any of their respective representatives, is making any representation to any offeree, subscriber or purchaser of Subscription Rights and/or Offer Shares regarding the legality of an investment in the Subscription Rights and/or the Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult its own advisers before subscribing for Offer Shares or purchasing Subscription Rights and/or Offer Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of a subscription for Offer Shares or a purchase of Subscription Rights and/or Offer Shares.

A further description of certain restrictions in relation to the Subscription Rights and the Offer Shares in certain jurisdictions is set out below.

## 19.2 United States

The Subscription Rights and Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Subscription Rights and Offer Shares in the United States. A notification of exercise of Subscription Rights and subscription of Offer Shares in contravention of the above will be deemed to be invalid.

The Subscription Rights and Offer Shares are being offered and sold outside the United States in reliance on Regulation S. Any offering of the Subscription Rights and Offer Shares by the Company to be made in the United States will be made only to a limited number of QIBs pursuant to an exemption from registration under the U.S. Securities Act, each of whom have executed and returned an investor letter to the Company prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the Subscription Rights and Offer Shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Accordingly, subject to certain limited exceptions, this Prospectus will not be sent to any shareholder with a registered address in the United States. In addition, the Company and the Managers reserve the right to reject any instruction sent by or on behalf of any account holder with a registered address in the United States in respect of the Subscription Rights and/or the Offer Shares.

Any recipient of this Prospectus in the United States is hereby notified that this Prospectus has been furnished to it on a confidential basis and is not to be reproduced, retransmitted or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorised to use it solely for the purpose of considering an investment in the Subscription Rights and/or Offer Shares in the Rights Issue and may not disclose any of the contents of this document or use any information herein for any other purpose. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for Offer Shares or otherwise acquire Subscription Rights and/or Offer Shares. Any recipient of this document agrees to the foregoing by accepting delivery of this Prospectus.

Any offer and sale in the United States will be made solely by affiliates of the Managers who are broker-dealers registered under the U.S. Exchange Act. Until 40 days after the commencement of the Rights Issue, any offer or sale of the Subscription Rights and Offer Shares within the United States by any dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the U.S. Securities Act.

The Subscription Rights and the Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority nor have any of the foregoing authorities passed judgment upon or endorsed the merits of the offering of the Subscription Rights and Offer Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Each person to which Subscription Rights and/or Offer Shares are distributed, offered or sold in the United States, by accepting delivery of this Prospectus or by its subscription for Offer Shares or purchase of Subscription Rights, will be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Offer Shares or purchasing Subscription Rights, as the case may be, that:

1. it is, and at the time of any exercise by it of Subscription Rights will be, a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act;
2. it understands and acknowledges that none of the Subscription Rights or Offer Shares issuable upon exercise of the Subscription Rights have been or will be registered under the U.S. Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 5 below;
3. it understands that the Subscription Rights may only be transferred, assigned or resold outside the United States in reliance on Regulation S under the U.S. Securities Act;
4. as a purchaser in a private placement of securities that have not been registered under the U.S. Securities Act, it may only acquire Subscription Rights or Offer Shares upon the exercise of such Subscription Rights,

for its own account, or for the account of one or more other QIBs for which it is acting as duly authorized fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution of any such Subscription Rights or Offer Shares issuable upon exercise of the Subscription Rights;

5. it understands and agrees that, although offers and sales in the United States of the Subscription Rights are being made only to QIBs, and that the Subscription Rights may be exercised only by QIBs in the United States, neither such offers and sales nor such exercises are being made under Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 4 above, or any other fiduciary or agent representing such investor decide to offer, sell, deliver, hypothecate or otherwise transfer any Subscription Rights or Offer Shares issued upon the exercise of Subscription Rights, it and such other persons will do so only (i) pursuant to an effective registration statement under the U.S. Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States pursuant to Rule 904 under Regulation S under the U.S. Securities Act in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of such Subscription Rights or Offer Shares into the United States) or (iv) in the case of Offer Shares issued upon the exercise of Subscription Rights, in accordance with Rule 144 under the U.S. Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resale of Offer Shares;
6. it understands that for so long as the Offer Shares issued upon the exercise of Subscription Rights are "restricted securities" within the meaning of U.S. federal securities laws, no such Offer Shares may be deposited into any American depository receipt facility established or maintained by a depository bank, other than a restricted depository receipt facility, and that such Offer Shares will not settle or trade through the facilities of The Depository Trust Company or any other U.S. exchange or clearing system;
7. it acknowledges that neither the Company nor the Managers nor any person representing the Company or the Managers has made any representation to it with respect to the Company or the offering or sale or exercise of any Subscription Rights (or the Offer Shares issuable upon the exercise of Subscription Rights) other than as set forth in the Prospectus, upon which it will rely solely in making its investment decision with respect to the Subscription Rights and the Offer Shares. It will hold any offering materials, including the Prospectus, it receives directly or indirectly from the Company or the Managers in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it. It acknowledges that it will read and will agree to the matters stated in the Section entitled "Selling and transfer restrictions" in the Prospectus;
8. it, and each other QIB, if any, for whose account it may acquire Subscription Rights or Offer Shares, in the normal course of business, invests in or purchases securities similar to the Subscription Rights and the Offer Shares issuable upon the exercise of Subscription Rights, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing any of the Subscription Rights and Offer Shares and is aware that it must bear the economic risk of an investment in each Subscription Right and Offer Shares into which such Subscription Right may be exercised for an indefinite period of time and is able to bear such risk for an indefinite period;
9. it understands that these representations and undertakings are required in connection with United States securities laws and irrevocably authorizes the Company and the Managers to produce the QIB Investment Letter (as defined below) to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein;
10. it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Subscription Rights or Offer Shares, it shall notify such subsequent transferee of the transfer restrictions set out herein;
11. it is not an affiliate (as defined in Rule 501(b) under the U.S. Securities Act) of the Company, and is not acting on behalf of an affiliate of the Company; and

12. it understands and acknowledges that the Company, the Managers and each of their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

Each person exercising Subscription Rights in the Rights Issue in reliance on Rule 144A will be required to sign and deliver an investment letter (a "**QIB Investment Letter**") containing representations and undertakings substantially similar to those listed above.

In addition, each person exercising Subscription Rights or otherwise subscribing for Offer Shares offered hereby will be deemed to have acknowledged and agreed that:

- a. it is relying on this Prospectus in conducting its examination of the Company and the terms of the Rights Offering, including the merits and risks involved, and in making an investment decision regarding the Subscription Rights or Offer Shares; and
- b. no person is authorized to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations will not be relied upon as having been authorized by the Company or the Managers, nor will the Company or the Managers have any liability or responsibility therefore.

Nordea Markets is not an SEC registered broker/dealer and will only participate in the Rights Issue outside the U.S.

### **19.3 United Kingdom**

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities and other persons to whom it may lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as Relevant Persons). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

Each of the Managers has represented, warranted and agreed (i) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company and (ii) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

### **19.4 European Economic Area**

In relation to each Relevant Member State, with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), an offer to the public of any Offer Shares which are the subject of the Rights Issue contemplated by this Prospectus may not be made in that Relevant Member State, other than the offering in Norway as described in this Prospectus, once the Prospectus has been approved by the competent authority in Norway and published in accordance with the EU Prospectus Directive (as implemented in Norway), except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the EU Prospectus Directive, if they have been implemented in that Relevant Member State:

- a. to legal entities which are qualified investors as defined in the EU Prospectus Directive;
- b. to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- c. in any other circumstances falling within Article 3(2) of the EU Prospectus Directive;

provided that no such offer of Offer Shares shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive or supplement a prospectus pursuant to Article 16 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that member state by any measure implementing the EU Prospectus Directive in that Member State the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This EEA selling restrictions is in addition to any other selling restrictions set out in this Prospectus.

#### **19.5 Additional jurisdictions**

The Subscription Rights and the Offer Shares may not be offered, sold, exercised, pledged, resold, granted, allocated, taken up, transferred or delivered, directly or indirectly, in or into Australia, Canada, Hong Kong, Japan or any other jurisdiction in which it would not be permissible to offer the Subscription Rights or the Offer Shares.

## 20 ADDITIONAL INFORMATION

### 20.1 Auditor and advisors

The Company's independent auditor is Ernst & Young AS with registration number 976 389 387. The partners of Ernst & Young AS are members of The Norwegian Institute of Public Accountants (*Nw.: Den Norske Revisorforeningen*). The address of Ernst & Young AS is Dronning Eufemias gate 6, Oslo Atrium, P.O. Box 20, N-0051 Oslo, Norway.

ABN AMRO (Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands), Danske Bank (Bryggetorget 4, N-0107 Oslo, Norway), DNB Markets (Dronning Eufemias gate 30, N-0191 Oslo, Norway), Nordea Markets (Essendrops gate 7, N-0368 Oslo, Norway) and Pareto Securities (Dronning Mauds gate 3, N-0250 Oslo) are acting as Joint Bookrunners for the Rights Issue. ING (Bijlmerplein 888, 1102 MG Amsterdam, the Netherlands), SEB (Filipstad brygge 1, N-0252 Oslo, Norway) and Swedbank (Filipstad brygge 1, N-0252 Oslo, Norway) are acting as Joint Lead Managers for the Rights Issue.

Advokatfirmaet Thommessen AS (Haakon VII's gate 10, N-0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company, Conyers Dill & Pearman Limited (Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda) is acting as special Bermuda legal counsel to the Company and Cleary Gottlieb Steen Hamilton LLP (City Place House, 55 Basinghall Street, London, EC2V 5EH, United Kingdom) is acting as U.S. legal counsel to the Company.

Advokatfirmaet BA-HR DA (Tjuvholmen allé 16, N-0252 Oslo, Norway) is acting as Norwegian legal counsel to the Joint Bookrunners.

### 20.2 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Company's Memorandum of Association and Bye-laws;
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus;
- The historical financial information of the Company and its subsidiary undertakings for each of the two years preceding the publication of this Prospectus; and
- This Prospectus.

### 20.3 Incorporation by reference

The information incorporated by reference in this Prospectus should be read in connection with the cross reference table set out below. Except as provided in this Section, no information is incorporated by reference in this Prospectus.

The Company incorporates by reference the Group's unaudited consolidated interim financial statements as at, and for the three month periods ended, 31 March 2016 and 2015 (the Interim Financial Statements) and the Group's audited consolidated financial statements as at, and for the years ended, 31 December 2015, 2014 and 2013 (the Financial Statements), as well as certain other documents set out below.

Section in the Prospectus	Disclosure requirement	Reference document and link	Page (P) in reference document
		<b>Financial Statements 2015:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=398402">http://www.newsweb.no/newsweb/search.do?messageId=398402</a>	P 35 - 65
Section 10 and 11	Audited historical financial information (Annex I, Section 20.1)	<b>Financial Statements 2014:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=374545">http://www.newsweb.no/newsweb/search.do?messageId=374545</a>	P 39 - 70
		<b>Financial Statements 2013:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=349440">http://www.newsweb.no/newsweb/search.do?messageId=349440</a>	P 39 - 70
Section 10.9	Audit report (Annex I,	<b>Auditor's report 2015:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=398402">http://www.newsweb.no/newsweb/search.do?messageId=398402</a>	P 76 - 77

	Section 20.4.1)	<b>Auditor's report 2014:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=374545">http://www.newsweb.no/newsweb/search.do?messageId=374545</a>	P 80 - 81
		<b>Auditor's report 2013:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=349440">http://www.newsweb.no/newsweb/search.do?messageId=349440</a>	P 42 - 43
Section 10.2	Accounting policies (Annex I, Section 20.1)	<b>Accounting principles:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=398402">http://www.newsweb.no/newsweb/search.do?messageId=398402</a>	P 41 - 45
		<b>Interim Financial Statements Q1 2016:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=402468">http://www.newsweb.no/newsweb/search.do?messageId=402468</a>	P 1 - 12
Section 10 and 11	Interim financial information (Annex I, section 20.6.1)	<b>Interim Financial Statements Q1 2015:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=378870">http://www.newsweb.no/newsweb/search.do?messageId=378870</a>	P 1 - 10

## 21 DEFINITIONS AND GLOSSARY

In the Prospectus, the following defined terms have the following meanings:

2010 PD Amending Directive .....	Directive 2010/73/EU amending the EU Prospectus Directive.
2016 Financial Plan .....	The 2016 Financial Plan comprising of inter alia certain amendments to the Company's credit facilities and bond loans, as well as the Rights Issue, as further described in Section 13 "The 2016 Financial Plan".
ABN AMRO .....	ABN AMRO Bank N.V.
Anti-Money Laundering Legislation .....	The Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 no. 302, collectively.
Appointed Stock Exchange .....	An appointed stock exchange in accordance with the Bermuda Companies Act.
Bergesen .....	Bergesen d.y. ASA.
Bermuda Companies Act .....	The Companies Act 1981, as amended, of Bermuda.
Board of Directors .....	The board of directors of the Company.
BRL .....	Brazilian Real, the lawful currency of Brazil.
Bye-laws .....	The Company's bye-laws.
BW Group .....	BW Group Limited.
BW Offshore .....	BW Offshore Limited.
Catcher Facility .....	The USD 800 million senior secured pre-and post-delivery term loan facility agreement entered into by the Group on 15 July 2014 in relation to construction of a FPSO to operate on the Catcher oil field in the UK North Sea.
CEO .....	Chief executive officer.
CET .....	Central European Time.
Change of Control Event .....	The change of control events under the MUSD 2,400 Facility.
Company .....	BW Offshore Limited.
Corporate Governance Code .....	The Norwegian Code of Practice for Corporate Governance, dated 30 October 2014.
Danske Bank .....	Danske Bank A/S, Norwegian branch.
Directors .....	The members of the Board of Directors.
DNB .....	DNB Bank ASA.
DNB Markets .....	DNB Markets, a part of DNB.
EEA .....	The European Economic Area.
EMA .....	Energy Maritime Associates Pte Ltd.
EU .....	The European Union.
EUR .....	The lawful common currency of the EU member states who have adopted the Euro as their sole national currency.
EU Prospectus Directive .....	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State.
Existing Shareholders .....	The shareholders of the Company as at 28 June 2016 (and being registered as such in the VPS on the Record Date).
Fidelity Funds .....	Funds and accounts managed by Fidelity Management & Research Company and its affiliates.
Financial Information .....	The Financial Statements and the Interim Financial Statements, collectively.
Financial Statements .....	The Company's audited consolidated financial statements as at, and for the years ended, 31 December 2015, 2014 and 2013.
FPS .....	Floating Production System.
FPSO .....	Floating Production, Storage and Offloading.
FSMA .....	UK Financial Services and Markets Act 2000.
FSO .....	Floating Storage and Offloading.
GBP .....	Great British Pound, the lawful currency of the United Kingdom.
GDP .....	Gross domestic product.
General Meeting .....	The Company's general meeting of shareholders.
Group .....	The Company and its consolidated subsidiaries.
HSE .....	Health, safety and environment.
IAS 34 .....	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.

IFRS .....	International Financial Reporting Standards as adopted by the EU.
IMO .....	The International Maritime Organisation.
Ineligible Jurisdictions .....	Member states of the EEA that have not implemented the Prospectus Directive, the United States and any other jurisdiction in which it would not be permissible to offer the Subscription Rights and/or the Offer Shares.
Ineligible Persons .....	An Ineligible Shareholder or other person in an Ineligible Jurisdiction or a citizen of an Ineligible Jurisdiction.
Ineligible Shareholders .....	Existing Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offer Shares.
ING.....	ING Bank N.V.
Interim Financial Statements .....	The Company's unaudited consolidated interim financial statements as at, and for the three month periods ended, 31 March 2016 and 2015.
IT .....	Information technology.
Joint Bookrunners.....	ABN AMRO, Danske Bank, DNB Markets, Nordea Markets and Pareto Securities, collectively.
Joint Lead Managers .....	ING, SEB and Swedbank, collectively.
Joko Tole Facility .....	The USD 284.6 million financing facility entered into by the Group on 31 May 2013 relating to the FPSO BW Joko Tole.
JPY .....	Japanese Yen, the lawful currency of Japan.
Management.....	The senior management of the Group.
Managers .....	The Joint Bookrunners and the Joint Lead Managers, collectively.
Memorandum of Association .....	The Company's memorandum of association.
MUSD 2,400 Facility.....	The USD 2,400 million seven year senior secured syndicated credit facility entered into on 9 March 2011 by subsidiaries of BW Offshore.
NOK.....	Norwegian Kroner, the lawful currency of Norway.
Nordea Markets .....	Nordea Markets, a part of Nordea Bank Norge ASA.
Norwegian Corporate Shareholders .....	Shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes.
Norwegian FSA.....	The Financial Supervisory Authority of Norway ( <i>Nw.: Finanstilsynet</i> ).
Norwegian Personal Shareholders .....	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Securities Trading Act.....	The Norwegian Securities Trading Act of 29 June 2007 no. 75 ( <i>Nw.: verdipapirhandelloven</i> ).
Offer Shares .....	8,559,810,000 new common shares in the Company with a par value of USD 0.01 each.
OPEC .....	The Organisation of the Petroleum Exporting Countries.
Order .....	The UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Oslo Stock Exchange.....	Oslo Børs ASA, or, as the context may require, Oslo Børs, a Norwegian regulated stock exchange operated by Oslo Børs ASA.
Pareto Securities .....	Pareto Securities AS.
Payment Date .....	20 July 2016.
Petróleo Nautipa Facility .....	The USD 80 million senior secured term loan facility entered into by the Group on 25 March 2015 in respect of the FPSO Petróleo Nautipa.
Pre-committing Shareholders .....	BW Group, the Fidelity Funds, Carl K. Arnet, Hilde Arnet, Johan Arnet and Tarald Arnet, collectively.
Prospectus.....	This Prospectus, dated 30 June 2016.
Prospectus Directive .....	Directive 2003/71/EC (including Directive 2010/73/EU and together with any relevant implementing measure).
QIBs .....	Qualified institutional buyers as defined in Rule 144A.
QIB Investment Letter .....	An investment letter required to be signed and delivered by each person exercising Subscription Rights in the Rights Issue in reliance on Rule 144A.
Record Date.....	30 June 2016.
Registrar Agreement .....	The registrar agreement entered into between the Company and the VPS Registrar for the registration of the beneficial interests in the Shares in book-entry form in the VPS.
Regulation S .....	Regulation S under the U.S. Securities Act.
Relevant Implementation Date .....	In relation to each Relevant Member State, with effect from and including the date on which the EU Prospectus Directive is implemented in that Relevant Member State.

Relevant Member State .....	Each Member State of the EEA which has implemented the EU Prospectus Directive.
Relevant Persons .....	Persons in the UK that are (i) investment professionals falling within Article 19(5) of the Order or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order.
Rights Issue .....	The offering of 8,559,810,000 Offer Shares at a Subscription Price of NOK 0.10 per Offer Share with Subscription Rights for Existing Shareholders, as further described in Section 18 "The terms of the Rights Issue".
Rule 144A .....	Rule 144A under the U.S. Securities Act.
SEB .....	Skandinaviska Enskilda Banken AB (publ.), Oslo Branch.
SEC .....	U.S. Securities and Exchange Commission.
SEMI .....	Floating Production Semi-Submersibles.
SGD .....	Singapore Dollars, the lawful currency of Singapore.
Share(s) .....	The existing common shares of par value USD 0.01 each of the Company and the Offer Shares.
SPAR .....	Spar Platforms.
Subscription Form .....	The form for subscription of Offer Shares attached hereto as Appendix B.
Subscription Offices .....	The subscription offices where subscriptions for Offer Shares must be made by submitting a correctly completed Subscription Form during the Subscription Period.
Subscription Period .....	From 09:00 hours (CET) on 1 July 2016 to 16:30 hours (CET) on 15 July 2016.
Subscription Price .....	The subscription price for the Offer Shares, being NOK 0.10 per Offer Share.
Subscription Rights .....	Subscription rights that, subject to certain limitations based on applicable laws and regulations, provide preferential rights to subscribe for, and be allocated, Offer Shares at the Subscription Price.
Swedbank .....	Swedbank Norway, a branch of Swedbank AB (publ.).
TLP .....	Tension Leg Platforms.
UK .....	The United Kingdom.
Umuroa Facility .....	The USD 130 million senior secured reducing revolving credit facility agreement entered into by the Group on 30 October 2009 in respect of the FPSO Umuroa.
Underwriters .....	ABN AMRO, Danske Bank, DNB Markets and Nordea Markets, collectively.
Underwriting Agreement .....	The underwriting agreement between the Company, the Pre-committing Shareholders and the Underwriters dated 22 May 2016, as amended.
U.S. or United States .....	The United States of America.
U.S. Exchange Act .....	The United States Securities Exchange Act of 1934, as amended.
U.S. Securities Act .....	The United States Securities Act of 1933, as amended.
USD .....	United States Dollars, the lawful currency in the United States.
VPS .....	The Norwegian Central Securities Depository ( <i>Nw.: Verdipapirsentralen</i> ).
VPS account .....	An account with VPS for the registration of holdings of securities.
VPS Registrar .....	DNB.
World-Wide Shipping .....	World-Wide Shipping Steamship Company Limited.

**APPENDIX A:**  
**BYE-LAWS OF BW OFFSHORE LIMITED**

**BYE-LAWS**

**of**

**BW Offshore Limited**

(Adopted pursuant to Written Resolution passed by  
the Sole Member on 20<sup>th</sup> April, 2006)

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## INTERPRETATION

### 1. Definitions

1.1 In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	the Companies Act 1981 as amended from time to time;
Alternate Director	an alternate director appointed in accordance with these Bye-laws;
Auditor	includes an individual or partnership;
Board	the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
Company	the company for which these Bye-laws are approved and confirmed;
Director	a director of the Company and shall include an Alternate Director;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the

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	Register of Members as one of such joint holders or all of such persons, as the context so requires;
notice	written notice as further provided in these Bye-laws unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;
Register of Directors and Officers	the register of directors and officers referred to in these Bye-laws;
Register of Members	the register of members referred to in these Bye-laws;
Registrar	DnB NOR Bank ASA, acting through its Registrar's Department (known as "Verdipapirservice");
Resident Representative	any person appointed to act as resident representative and includes any deputy or assistant resident representative;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary; and
VPS	the Norwegian Central Securities Depository (known as "Verdipapirsentralen").

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- 1.2** In these Bye-laws, where not inconsistent with the context:
- (a) words denoting the plural number include the singular number and vice versa;
  - (b) words denoting the masculine gender include the feminine and neuter genders;
  - (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
  - (d) the words:
    - (i) "may" shall be construed as permissive; and
    - (ii) "shall" shall be construed as imperative; and
  - (e) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.
- 1.3** In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.
- 1.4** Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

## **SHARES**

### **2. Power to Issue Shares**

- 2.1** Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine.

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**2.2** Without limitation to the provisions of Bye-law 4, subject to the provisions of the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board before the issue or conversion.

**3. Power of the Company to Purchase its Shares**

The Company may purchase its own shares in accordance with the provisions of the Act on such terms as the Board shall think fit. The Board may exercise all the powers of the Company to purchase all or any part of its own shares in accordance with the Act.

**4. Rights Attaching to Shares**

**4.1** At the date these Bye-laws are adopted, the share capital of the Company shall consist of common shares of par value US\$0.01 each (the "Common Shares").

**4.2** The holders of Common Shares shall, subject to the provisions of these Bye-laws (including, without limitation, the rights attaching to any Preference Shares that may be authorised for issue in the future by the Board pursuant to Bye-law ):

- (a) be entitled to one vote per share;
- (b) be entitled to such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

**4.3** The Board is authorised to provide for the issuance of one or more classes of preference shares in one or more series (the "Preference Shares"), and to establish

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from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof (and, for the avoidance of doubt, such matters and the issuance of such Preference Shares shall not be deemed to vary the rights attached to the Common Shares or, subject to the terms of any other series of Preference Shares, to vary the rights attached to any other series of Preference Shares). The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) the number of shares constituting that series and the distinctive designation of that series;
- (b) the dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of the payment of dividends on shares of that series;
- (c) whether that series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights;
- (d) whether that series shall have conversion or exchange privileges (including, without limitation, conversion into Common Shares), and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board shall determine;

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- (e) whether or not the shares of that series shall be redeemable or repurchaseable, and, if so, the terms and conditions of such redemption or repurchase, including the manner of selecting shares for redemption or repurchase if less than all shares are to be redeemed or repurchased, the date or dates upon or after which they shall be redeemable or repurchaseable, and the amount per share payable in case of redemption or repurchase, which amount may vary under different conditions and at different redemption or repurchase dates;
  - (f) whether that series shall have a sinking fund for the redemption or repurchase of shares of that series, and, if so, the terms and amount of such sinking fund;
  - (g) the right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Company or any subsidiary, upon the issue of any additional shares (including additional shares of such series or any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Company or any subsidiary of any issued shares of the Company;
  - (h) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment of shares of that series; and
  - (i) any other relative participating, optional or other special rights, qualifications, limitations or restrictions of that series.

**4.4** Any Preference Shares of any series which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of any other class or classes shall have the status of authorised and unissued Preference Shares of the same series and may be reissued as a part of the series of which they were originally a part or may be

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reclassified and reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board or as part of any other series of Preference Shares, all subject to the conditions and the restrictions on issuance set forth in the resolution or resolutions adopted by the Board providing for the issue of any series of Preference Shares.

- 4.5** At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued Common Shares, other shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

## **5. Calls on Shares**

- 5.1** The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members (and not made payable at fixed times by the terms and conditions of issue) and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

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- 5.2** Any sum which by the terms of allotment of a share becomes payable upon issue or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be a call duly made and payable, on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- 5.3** The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- 5.4** The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

**6. Prohibition on Financial Assistance**

The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.

**7. Forfeiture of Shares**

- 7.1** If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call  
Bergesen Worldwide Offshore Limited (the "Company")

You have failed to pay the call of [amount of call] made on the [ ] day of [ ], 200[ ], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [ ] day of [ ], 200[ ], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [ ] day of [ ], 200[ ] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [ ] day of [ ], 200[ ]

\_\_\_\_\_  
[Signature of Secretary] By Order of the Board

- 7.2** If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.
- 7.3** A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.
- 7.4** The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

## **8. Share Certificates**

- 8.1** Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, specifying

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the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

**8.2** The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

**8.3** If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

**9. Fractional Shares**

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

**REGISTRATION OF SHARES**

**10. Register of Members**

**10.1** The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

**10.2** The Register of Members shall be open to inspection at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

**11. Registered Holder Absolute Owner**

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

**12. Transfer of Registered Shares**

**12.1** An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares  
• (the "Company")

FOR VALUE RECEIVED.....[amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] of shares of the Company.

DATED this [ ] day of [ ], 200[ ]

Signed by:

In the presence of:

\_\_\_\_\_  
Transferor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Transferee

\_\_\_\_\_  
Witness

**12.2** Such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

**12.3** The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

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- 12.4** The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.
- 12.5** The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share which is not fully paid. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.
- 12.6** Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Act.
- 12.7** The Board may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through the VPS, where such transfer would, in the opinion of the Board, be likely to result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation.

### **13. Transmission of Registered Shares**

- 13.1** In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased

Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

- 13.2** Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member  
Bergesen Worldwide Offshore Limited (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [ ] day of [ ], 200[ ]

Signed by:

In the presence of:

\_\_\_\_\_

\_\_\_\_\_

Transferor

Witness

\_\_\_\_\_

\_\_\_\_\_

Transferee

Witness

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- 13.3** On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.
- 13.4** Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

#### **ALTERATION OF SHARE CAPITAL**

#### **14. Power to Alter Capital**

- 14.1** The Company may if authorised by resolution of the Board increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.
- 14.2** Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

#### **15. Variation of Rights Attaching to Shares**

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least

holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

## **DIVIDENDS AND CAPITALISATION**

### **16. Dividends**

- 16.1** The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.
- 16.2** The Board may fix any date as the record date for determining the Members entitled to receive any dividend.
- 16.3** The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.
- 16.4** The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

### **17. Power to Set Aside Profits**

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

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**18. Method of Payment**

- 18.1** Any dividend or other monies payable in respect of a share may be paid by cheque or warrant sent through the post directed to the address of the Member in the Register of Members (in the case of joint Members, the senior joint holder, seniority being determined by the order in which the names stand in the Register of Members), or by direct transfer to such bank account as such Member may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to such persons as the Member may direct, and payment of the cheque or warrant shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.
- 18.2** The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.
- 18.3** Any dividend and or other monies payable in respect of a share which has remained unclaimed for 6 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.
- 18.4** The Company shall be entitled to cease sending dividend cheques and warrants by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law

18.4 in respect of any Member shall cease if the Member claims a dividend or cashes a dividend cheque or warrant.

## **19. Capitalisation**

**19.1** The Board may resolve to capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares of one class to shares of another class) to the Members.

**19.2** The Board may resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid or nil paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

## **MEETINGS OF MEMBERS**

### **20. Annual General Meetings**

The annual general meeting of the Company shall be held in each year at such time and place as the President or the Chairman or the Board shall appoint.

### **21. Special General Meetings**

The President or the Chairman or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary.

### **22. Requisitioned General Meetings**

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at

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the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of the Act shall apply.

## **23. Notice**

- 23.1** At least 14 days' written notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.
- 23.2** At least 14 days' written notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.
- 23.3** The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company.
- 23.4** A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.
- 23.5** The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

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**24. Giving Notice**

- 24.1** A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by letter mail, courier service, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form.
- 24.2** Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.
- 24.3** Save as provided by Bye-law 24.4, any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, at the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile, electronic mail, or such other method as the case may be.
- 24.4** Mail notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail of any member state of the European Union, the United States, or Bermuda.
- 24.5** The Company shall be under no obligation to send a notice or other document to the address shown for any particular Member in the Register of Members if the Board considers that the legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, the territory in which that address is situated are such that it is necessary or expedient not to send the notice or document concerned to such Member at such address and may require a Member with such an

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address to provide the Company with an alternative acceptable address for delivery of notices by the Company.

## **25. Postponement or Cancellation of General Meeting**

The Chairman or the President may, and the Secretary on instruction from the Chairman or the President shall, postpone or cancel any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement or cancellation is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed or cancelled meeting shall be given to the Members in accordance with the provisions of these Bye-laws.

## **26. Attendance and Security at General Meetings**

**26.1** Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

**26.2** The Board may, and at any general meeting, the chairman of such meeting may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board and, at any general meeting, the chairman of such meeting are entitled to refuse entry to a person who refuses to comply with any such arrangements, requirements or restrictions.

## **27. Quorum at General Meetings**

**27.1** At any general meeting of the Company two or more persons present in person throughout the meeting and representing in person or by proxy in excess of 25% of

the total issued voting shares in the Company shall form a quorum for the transaction of business.

- 27.2** If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. If the meeting shall be adjourned to the same day one week later or the Secretary shall determine that the meeting is adjourned to a specific date, time and place, it is not necessary to give notice of the adjourned meeting other than by announcement at the meeting being adjourned. If the Secretary shall determine that the meeting be adjourned to an unspecified date, time or place, fresh notice of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

**28. Chairman to Preside**

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, and if not the President, shall act as chairman at all meetings of the Members at which such person is present. In their absence, the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

**29. Voting on Resolutions**

- 29.1** Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Bye-laws and in the case of an equality of votes the resolution shall fail.

- 29.2** No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

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- 29.3** At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his or her hand.
- 29.4** At any general meeting if an amendment shall be proposed to any resolution under consideration and the chairman of the meeting shall rule on whether the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.
- 29.5** At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

**30. Power to Demand a Vote on a Poll**

- 30.1** Notwithstanding the foregoing, a poll may be demanded by any of the following persons:
- (a) the chairman of such meeting; or
  - (b) at least three Members present in person or represented by proxy; or
  - (c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or
  - (d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being

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shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such shares conferring such right.

- 30.2** Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- 30.3** A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place at such meeting as the chairman (or acting chairman) of the meeting may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.
- 30.4** Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

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**31. Voting by Joint Holders of Shares**

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

**32. Instrument of Proxy**

**32.1** A Member may appoint a proxy by (a) an instrument appointing a proxy in writing in substantially the following form or such other form as the Board may determine from time to time:

Proxy

Bergesen Worldwide Offshore Limited (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [ ] day of [ ], 200[ ] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [ ] day of [ ], 200[ ]

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Member(s)

or (b) such telephonic, electronic or other means as may be approved by the Board from time to time.

**32.2** The appointment of a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the appointment proposes to vote, and an appointment of proxy which is not received in the manner so permitted shall be invalid.

**32.3** A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf.

**32.4** The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

### **33. Representation of Corporate Member**

**33.1** A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

**33.2** Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

### **34. Adjournment of General Meeting**

**34.1** The chairman of any general meeting at which a quorum is present may with the consent of Members holding a majority of the voting rights of those Members present in person or by proxy (and shall if so directed by Members holding a majority of the voting rights of those Members present in person or by proxy), adjourn the meeting.

**34.2** In addition, the chairman may adjourn the meeting to another time and place without such consent or direction if it appears to him that:

- (a) it is likely to be impracticable to hold or continue that meeting because of the number of Members wishing to attend who are not present; or

- (b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or
- (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

**34.3** Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

## **35. Written Resolutions**

**35.1** Subject to the following, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

**35.2** A resolution in writing may be signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members, or all the Members of the relevant class thereof, in as many counterparts as may be necessary.

**35.3** A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

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- 35.4** A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.
- 35.5** This Bye-law shall not apply to:
- (a) a resolution passed to remove an auditor from office before the expiration of his term of office; or
  - (b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.
- 35.6** For the purposes of this Bye-law, the date of the resolution is the date when the resolution is signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member to sign and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

**36. Directors Attendance at General Meetings**

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

**DIRECTORS AND OFFICERS**

**37. Election of Directors**

- 37.1** The Board shall consist of such number of Directors being not less than 2 Directors and not more than such maximum number of Directors, as the Members may from time to time determine. The Board shall be elected or appointed at the annual general meeting of the Members or at any special general meeting of the Members called for that purpose.
- 37.2** Where the number of persons validly proposed for re-election or election as a Director is greater than the number of Directors to be elected, the persons receiving

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the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such Directors.

**37.3** Only persons who are proposed or nominated in accordance with this Bye-law shall be eligible for election as Directors. Any Member or the Board may propose any person for election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Whether a Director is to be elected at an annual general meeting or a special general meeting, that notice must be given not less than 10 days before the date of such general meeting.

**37.4** At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

### **38. Term of Office of Directors**

The Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next general meeting of the Members held for the purpose of electing Directors or until their successors are otherwise elected or appointed or their office is otherwise vacated.

### **39. Alternate Directors**

**39.1** At any general meeting of the Company, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors of the Company or may authorise the Board to appoint such Alternate Directors.

**39.2** Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice in writing deposited with the Secretary. Any person so elected or appointed shall have all the rights and

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powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present.

**39.3** An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

**39.4** An Alternate Director shall cease to be such if the Director for whom such Alternate Director was appointed ceases for any reason to be a Director but may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy in accordance with these Bye-laws.

#### **40. Removal of Directors**

**40.1** Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director, only with cause, provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

**40.2** If a Director is removed from the Board under the provisions of this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed.

**40.3** For the purpose of Bye-law 40.1, "cause" shall mean a conviction for a criminal offence involving dishonesty or engaging in conduct which brings the Director or the Company into disrepute and which results in material financial detriment to the Company.

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**41. Vacancy in the Office of Director**

**41.1** The office of Director shall be vacated if the Director:

- (a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;
- (b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;
- (c) is or becomes of unsound mind or dies; or
- (d) resigns his office by notice in writing to the Company.

**41.2** The Board shall have the power from time to time and at any time to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board and to appoint an Alternate Director to any Director so appointed.

**42. Remuneration of Directors**

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

**43. Defect in Appointment of Director**

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or

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any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

#### **44. Directors to Manage Business**

**44.1** The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting subject, nevertheless, to these Bye-laws and the provisions of any statute.

**44.2** Subject to these Bye-laws, the Board may delegate to any company, firm, person, or body of persons any power of the Board (including the power to sub-delegate).

#### **45. Powers of the Board of Directors**

The Board may:

- (a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;
- (b) exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;
- (c) appoint one or more Directors to the office of managing director or appoint one or more Directors or other persons to the office of chief executive officer of the Company, who shall, in either event, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

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- (d) appoint any company, firm, person or body to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;
  - (e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company;
  - (f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;
  - (g) delegate any of its powers (including the power to sub-delegate) to a committee appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;
  - (h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit;

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- (i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;
  - (j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law;
  - (k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company; and
  - (l) take all necessary or desirable actions within its control to ensure that the Company is not deemed resident in Norway or deemed to be a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation..

#### **46. Register of Directors and Officers**

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

#### **47. Officers**

The Officers shall consist of a President and a Vice President or a Chairman and a Deputy Chairman, a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of these Bye-laws.

#### **48. Appointment of Officers**

The Board shall appoint a President and Vice President or a Chairman and Deputy Chairman who shall be Directors. The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.

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**49. Duties of Officers**

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

**50. Remuneration of Officers**

The Officers shall receive such remuneration as the Board may determine.

**51. Conflicts of Interest**

**51.1** Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's firm, partner or company shall be entitled to remuneration as if such Director were not a Director. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

**51.2** A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

**51.3** Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

**51.4** Notwithstanding Bye-law 51.3 and save as provided herein, a Director shall not vote, be counted in the quorum or act as chairman at a meeting in respect of (A) his appointment to hold any office or place of profit with the Company or any body corporate or other entity in which the Company owns an equity interest or (B) the approval of the terms of any such appointment or of any contract or arrangement in which he is materially interested (otherwise than by virtue of his interest in shares,

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debentures or other securities of the Company), provided that, a Director shall be entitled to vote (and be counted in the quorum and act as chairman) in respect of any resolution concerning any of the following matters, namely:

- (a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company; or
- (b) any proposal concerning any other body corporate in which he is interested directly or indirectly, whether as an officer, Shareholder, creditor or otherwise, provided that he is not the holder of or beneficially interested (other than as a bare custodian or trustee in respect of shares in which he has no beneficial interest) in more than 1% of any class of the issued share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights attached to all of the issued shares of the relevant body corporate (any such interest being deemed for the purpose of this Bye-law to be a material interest in all circumstances); and

in the case of an Alternate Director, an interest of a Director for whom he is acting as alternate shall be treated as an interest of such Alternate Director in addition to any interest which the Alternate Director may otherwise have.

- 51.5** If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote, and such question is not resolved by such Director voluntarily agreeing to abstain from voting and not be counted in the quorum of such meeting, such question shall be referred to the chairman of the meeting (except in the event the Director is also the chairman of the meeting, in which case the question shall be referred to the other Directors present at the meeting) and his (or their, as the case may be) ruling in relation to such Director shall be final and conclusive, except in a case where the nature or extent of the interest of the Director concerned has not been fully disclosed.

## **52. Indemnification and Exculpation of Directors and Officers**

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**52.1** The Directors, Secretary and other Officers (such term to include any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company, any subsidiary thereof and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

**52.2** The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him under the Act in his capacity as a Director or Officer of the Company or indemnifying such Director or

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Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

## **MEETINGS OF THE BOARD OF DIRECTORS**

### **53. Board Meetings**

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to the provisions of these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

### **54. Notice of Board Meetings**

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally (in person or by telephone) or otherwise communicated or sent to such Director by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.

### **55. Participation in Meetings by Telephone**

Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

### **56. Quorum at Board Meetings**

The quorum necessary for the transaction of business at a meeting of the Board shall be in excess of 50% of the Directors then in office.

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**57. Board to Continue in the Event of Vacancy**

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting of the Company; or (ii) preserving the assets of the Company.

**58. Chairman to Preside**

Unless otherwise agreed by a majority of the Directors attending and entitled to vote thereat, the Chairman, if there be one, and if not, the President shall act as chairman at all meetings of the Board at which such person is present. In their absence the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by the Directors present at the meeting.

**59. Written Resolutions**

A resolution in writing signed by all the Directors or, for the avoidance of doubt, their respective Alternate Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution shall be deemed to be effective on such date as the Directors agree.

**60. Validity of Prior Acts of the Board**

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

**CORPORATE RECORDS****61. Minutes**

The Board shall cause minutes to be duly entered in books provided for the purpose:

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- (a) of all elections and appointments of Officers;
  - (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
  - (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, and meetings of committees appointed by the Board.

## **62. Place Where Corporate Records Kept**

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

## **63. Form and Use of Seal**

**63.1** The seal of the Company shall be in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

**63.2** The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for that purpose, provided that any Director, Officer or Resident Representative, may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye-laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.

## **ACCOUNTS**

### **64. Books of Account**

**64.1** The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

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- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
  - (b) all sales and purchases of goods by the Company; and
  - (c) all assets and liabilities of the Company.

**64.2** Such records of account shall be kept at the registered office of the Company, or subject to the provisions of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

**65. Financial Year End**

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31<sup>st</sup> December in each year.

## AUDITS

**66. Annual Audit**

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

**67. Appointment of Auditors**

**67.1** Subject to the provisions of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.

**67.2** The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

**68. Remuneration of Auditors**

The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

**69. Duties of Auditors**

**69.1** The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

**69.2** The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

**70. Access to Records**

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

**71. Financial Statements**

Subject to any rights to waive laying of accounts pursuant to the provisions of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

**72. Distribution of Auditors report**

The report of the Auditor shall be submitted to the Members in general meeting.

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**73. Vacancy in the Office of Auditor**

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor's services are required, the vacancy thereby created shall be filled in accordance with the Act.

**VOLUNTARY WINDING-UP AND DISSOLUTION****74. Winding-Up**

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

**CHANGES TO CONSTITUTION****75. Changes to Bye-laws**

**75.1** Subject to Bye-law 75.2, no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

**75.2** Bye-laws 37, 38, 39, 41, and 75 shall not be rescinded, altered or amended and no new Bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-laws, until the same has been approved by a

resolution of the Board including the affirmative vote of not less than 66% per cent of the Directors then in office and by a resolution of the Members including the affirmative vote of not less than 50% per cent of the votes attaching to all shares in issue.

**76. Discontinuance**

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

**APPENDIX B:**  
**SUBSCRIPTION FORM FOR THE RIGHTS ISSUE**

**General information:** The terms and conditions of the underwritten rights issue (the "Rights Issue") by BW Offshore Limited (the "Company") of 8,559,810,000 new common shares in the Company with a par value of USD 0.01 each (the "Offer Shares") are set out in the prospectus dated 30 June 2016 (the "Prospectus"). Terms defined in the Prospectus shall have the same meaning in this subscription form (the "Subscription Form"). All announcements referred to in this Subscription Form will be made through the Oslo Stock Exchange's information system under the Company's ticker "BWO".

**Subscription procedures:** The subscription period will commence at 09:00 hours (CET) on 1 July 2016 and end at 16:30 hours (CET) on 15 July 2016 (the "Subscription Period"). Correctly completed subscription forms must be received by one of the subscription offices (the "Subscription Offices") set out below, or, in the case of online subscriptions, be registered by no later than 16:30 hours (CET) on 15 July 2016:

- Danske Bank, Bryggetorget 4, P.O. Box 1170 Sentrum, N-0107 Oslo, Norway, e-mail: emisjoner@danskebank.com;
- DNB Markets, Registrars Department, Dronning Eufemias gate 30, P.O. Box 1600 Sentrum, N-0021 Oslo, Norway, e-mail: retail@dnb.no;
- Nordea Markets, Issuer Services, Essendropsgate 7, P.O. Box 1166 Sentrum, N-0368 Oslo, Norway, e-mail: nis@nordea.com;
- Pareto Securities, Dronning Mauds gate 3, P.O. Box 1411 Vika, N-0115 Oslo, Norway, email: subscription@paretosec.com;
- SEB, Filippstad Brygge 1, P.O. Box 1843 Vika, N-0123 Oslo, Norway, e-mail: subscriptions@seb.no; or
- Swedbank, Oppgjør Aksjer, Filippstad Brygge 1, P.O. Box 1441 Vika, N-0115 Oslo, Norway, e-mail: subscription@swedbank.no.

The subscriber is responsible for the correctness of the information filled into the Subscription Form. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

**Subscribers who are residents of Norway with a Norwegian personal identification number may also subscribe for Offer Shares through the VPS online subscription system by following the link on any of the following websites: [www.danskebank.no/bwo](http://www.danskebank.no/bwo), [www.dnb.no/emisjoner](http://www.dnb.no/emisjoner), [www.nordea.no/bwo](http://www.nordea.no/bwo), [www.paretosec.no](http://www.paretosec.no), [www.seb.no](http://www.seb.no) and [www.swedbank.no](http://www.swedbank.no) (which will redirect the subscriber to the VPS online subscription system).**

Subscriptions made through the VPS online subscription system must be duly registered before the expiry of the Subscription Period. None of the Company or the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Subscription Offices. Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after having been received by the Subscription Offices, or in the case of applications through the VPS online subscription system, upon registration of the subscription.

**Subscription Price:** The subscription price in the Rights Issue is NOK 0.10 per Offer Share (the "Subscription Price").

**Subscription Rights:** The shareholders of the Company as of 28 June 2016 (and being registered as such in the VPS as of 30 June 2016 (the "Record Date")) (the "Existing Shareholders"), will be granted transferable subscription rights (the "Subscription Rights") giving, subject to certain limitations based on applicable laws and regulations, a preferential right to subscribe for, and be allocated, Offer Shares in the Rights Issue. Each Existing Shareholder will be granted 12.48664 Subscription Rights for every existing Share registered as held by such Existing Shareholder on the Record Date. The number of Subscription Rights granted to each Existing Shareholder will be rounded down to the nearest whole Subscription Right. Subscription Rights will not be issued in respect of any existing Shares held in treasury by the Company. Each Subscription Right will, subject to certain limitations based on applicable laws and regulations, give the right to subscribe for, and be allocated, one Offer Share in the Rights Issue. Over-subscription and subscription without Subscription Rights is permitted. **Subscription Rights that are not used to subscribe for Offer Shares before the expiry of the Subscription Period, or that are not sold before 13 July 2016 at 16:30 hours (CET) will have no value and will lapse without compensation to the holder.**

**Allocation of Offer Shares:** The Offer Shares will be allocated to the subscribers based on the allocation criteria set out in the Prospectus. No fractional Offer Shares will be allocated. The Company reserves the right to round off, reject or reduce any subscription for Offer Shares not covered by Subscription Rights. Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated. Notifications of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from the VPS on or about 18 July 2016. Subscribers having access to investor services through their VPS account manager will be able to check the number of Offer Shares allocated to them from 12:00 hours (CET) on 18 July 2016. Subscribers who do not have access to investor services through their VPS account manager may contact one of the Subscription Offices from 12:00 hours (CET) on 18 July 2016 to obtain information about the number of Offer Shares allocated to them.

**Payment:** The payment for the Offer Shares allocated to a subscriber falls due on 20 July 2016. Subscribers who have a Norwegian bank account must, and will by signing the Subscription Form, or registering a subscription through the VPS online subscription system, provide DNB Markets, or someone appointed by DNB Markets, with a one-time irrevocable authorisation to debit a specified bank account with a Norwegian bank for the amount payable for the Offer Shares which are allocated to the subscriber. The specified bank account is expected to be debited on or after the Payment Date. DNB Markets, or someone appointed by DNB Markets, is only authorised to debit such account once, but reserves the right (but has no obligation) to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date. Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date. Prior to any such payment being made, the subscriber must contact DNB Markets for further details and instructions. Should any subscriber have insufficient funds on his or her account, should payment be delayed for any reason, if it is not possible to debit the account or if payments for any other reasons are not made when due, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payments" below.

**SEE PAGE 2 OF THIS SUBSCRIPTION FORM FOR OTHER PROVISIONS THAT ALSO APPLY TO THE SUBSCRIPTION**

**DETAILS OF THE SUBSCRIPTION**

Subscriber's VPS account:	Number of Subscription Rights:	Number of Offer Shares subscribed (incl. over-subscription):	(For broker: consecutive no.):
SUBSCRIPTION RIGHT'S SECURITIES NUMBER: ISIN BMG1738J1163		 Subscription Price per Offer Share: <b>NOK 0.10</b>	Subscription amount to be paid: NOK _____

**IRREVOCABLE AUTHORISATION TO DEBIT ACCOUNT (MUST BE COMPLETED BY SUBSCRIBERS WITH A NORWEGIAN BANK ACCOUNT)**

Norwegian bank account to be debited for the payment for Offer Shares allocated (number of Offer Shares allocated x NOK 0.10).										
	(Norwegian bank account no.)									

I/we hereby irrevocably (i) subscribe for the number of Offer Shares specified above subject to the terms and conditions set out in this Subscription Form and in the Prospectus, (ii) authorise and instruct each of the Managers (or someone appointed by them) acting jointly or severally to take all actions required to transfer such Offer Shares allocated to me/us to the VPS Registrar and ensure delivery of the beneficial interests to such Offer Shares to me/us in the VPS, on my/our behalf, (iii) authorise DNB Markets to debit my/our bank account as set out in this Subscription Form for the amount payable for the Offer Shares allocated to me/us and (iv) confirm and warrant to have read the Prospectus and that I/we are eligible to subscribe for Offer Shares under the terms set forth therein.

**Place and date**

Must be dated in the Subscription Period.

**Binding signature**

The subscriber must have legal capacity. When signed on behalf of a company or pursuant to an authorisation, documentation in the form of a company certificate or power of attorney must be enclosed.

**INFORMATION ON THE SUBSCRIBER – ALL FIELDS MUST BE COMPLETED**

First name:	
Surname/company:	
Street address:	
Post code/district/ Country:	
Personal ID number/ organisation number:	
Nationality:	
E-mail address:	
Daytime telephone number:	

## ADDITIONAL GUIDELINES FOR THE SUBSCRIBER

**Regulatory issues:** In accordance with the Markets in Financial Instruments Directive ("MiFID") of the European Union, Norwegian law imposes requirements in relation to business investments. In this respect, the Managers must categorize all new clients in one of three categories: eligible counterparties, professional clients and non-professional clients. All subscribers in the Rights Issue who are not existing clients of one of the Managers will be categorized as non-professional clients. Subscribers can, by written request to a Manager, ask to be categorized as a professional client if the subscriber fulfills the applicable requirements of the Norwegian Securities Trading Act. For further information about the categorization, the subscriber may contact Danske Bank (Bryggetorget 4, P.O. Box 1170 Sentrum, N-0107 Oslo, Norway), DNB Markets (DNB Markets, KSC - Customer Administration, P.O. Box 7100, N-5020 Bergen, Norway or [www.dnb.no/en/mifid](http://www.dnb.no/en/mifid)), Nordea Markets ([www.nordea.no/mifid](http://www.nordea.no/mifid)), Pareto Securities ([paretosec.com/terms-and-conditions.bhp](http://paretosec.com/terms-and-conditions.bhp)), SEB ([privatebanking@seb.no](mailto:privatebanking@seb.no)) or Swedbank (Swedbank, Filipstad Brygge 1, P.O. Box 1441 Vika, N-0115 Oslo, Norway or [www.swedbank.no/vilkar](http://www.swedbank.no/vilkar)). **The subscriber represents that he/she/it is capable of evaluating the merits and risks of a decision to invest in the Company by subscribing for Offer Shares, and is able to bear the economic risk, and to withstand a complete loss, of an investment in the Offer Shares.**

**Selling restrictions:** Investors who wish to subscribe for Offer Shares should carefully review Section 19 "Selling and transfer restrictions" of the Prospectus. The Company is not taking any action to permit a public offering of the Subscription Rights or the Offer Shares (pursuant to the exercise of the Subscription Rights or otherwise) in any jurisdiction other than Norway. Receipt of the Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, the Prospectus effecting is for information only and should not be copied or redistributed. Investors should consult their professional advisors as to whether they require any governmental or other consent or need to observe any other formalities to enable them to subscribe for Offer Shares. It is the responsibility of any person wishing to subscribe for Offer Shares under the Rights Issue to satisfy himself or herself as to the full observance of the laws of any relevant jurisdiction in connection therewith, including obtaining any governmental or other consent which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The Subscription Rights and Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not and will not be offered, sold, exercised, pledged, resold, granted, delivered, allocated, taken up, transferred or delivered, directly or indirectly, within the United States, except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the applicable securities laws of any state or other jurisdiction of the United States. The Subscription Rights and Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act. Any offering of the Subscription Rights and Offer Shares by the Company to be made in the United States will be made only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) pursuant to an exemption from registration under the U.S. Securities Act, each of whom have executed and returned an investor letter to the Company prior to exercising their Subscription Rights. Prospective purchasers are hereby notified that sellers of the Subscription Rights and Offer Shares may be relying on an exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The Subscription Rights and Offer Shares have not been, and will not be, registered under applicable securities laws of Australia, Canada, Hong Kong or Japan, and may not and will not be offered, sold, exercised, pledged, resold, granted, delivered, allocated, taken up, transferred or delivered, directly or indirectly, in or into Australia, Canada, Hong Kong or Japan or in any other jurisdiction in which it would not be permissible to offer the Subscription Rights or the Offer Shares. A notification of exercise of Subscription Rights and subscription of Offer Shares in contravention of the above restrictions may be deemed to be invalid. By subscribing for Offer Shares, persons effecting subscriptions will be deemed to have represented to the Company that they, and the persons on whose behalf they are subscribing for the Offer Shares, have complied with the above selling restrictions. Persons effecting subscriptions on behalf of any person located in the United States will be responsible for confirming that such person, or anyone acting on its behalf, has executed an investment letter in the form to be provided by a Manager upon request.

**Execution only:** The Managers will treat the Subscription Form as an execution-only instruction. The Managers are not required to determine whether an investment in the Offer Shares is appropriate or not for the subscriber. Hence, the subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

**Information exchange:** The subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Commercial Banks Act and foreign legislation applicable to the Managers there is a duty of secrecy between the different units of each of the Managers, as well as between Managers and the other entities in the Managers' respective groups. This may entail that other employees of the Managers or the Managers' respective groups may have information that may be relevant to the subscriber and to the assessment of the Offer Shares, but which the Managers will not have access to in their capacity as Managers for the Rights Issue.

**Information barriers:** The Managers are securities firms that offer a broad range of investment services. In order to ensure that assignments undertaken in the Managers' respective corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from the respective Managers' corporate finance department by information walls. Consequently, the subscriber acknowledges that the Managers' analysis and stock broking activity may conflict with the subscriber's interests with regard to transactions in the Shares, including the Offer Shares.

**VPS account and mandatory anti-money laundering procedures:** The Rights Issue is subject to applicable anti-money laundering legislation, including the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 no. 302 (collectively, the "Anti-Money Laundering Legislation"). Subscribers who are not registered as existing customers of the Managers must verify their identity to the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is applicable. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by the Managers. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period may not be allocated Offer Shares. Furthermore, participation in the Rights Issue is conditional upon the subscriber holding a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised investments firms in Norway and Norwegian branches of credit institutions established within the EEA. However, investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identification by the relevant VPS registrar in accordance with the Anti-Money Laundering Legislation.

**Terms and conditions for payment by direct debiting - securities trading:** Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer's bank the following standard terms and conditions apply:

- a) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
- b) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information given in another appropriate manner. The bank will charge the indicated account for costs incurred.
- c) The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank that in turn will charge the payer's bank account.
- d) In case of withdrawal of the authorization for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
- e) The payer cannot authorise payment of a higher amount than the funds available on the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be covered by the payer.
- f) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited to the beneficiary's account between one and three working days after the indicated date of payment/delivery.
- g) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

**Overdue and missing payments:** Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100; 8.75% per annum as of the date of the Prospectus. If a subscriber fails to comply with the terms of payment or should payments not be made when due, the subscriber will remain liable for payment of the Offer Shares allocated to it and the Offer Shares allocated to such subscriber will, subject to the discretion of the Company, not be delivered to the subscriber. The Underwriters will, in accordance with the Underwriting Agreement and up to the respective amounts underwritten by them, pay any subscription amounts not paid by subscribers when due, on behalf of such non-paying subscribers, in order to secure issuance of the Offer Shares without delay. The non-paying subscribers will remain fully liable for the subscription amount payable for the Offer Shares allocated to them, irrespective of such payment by the Underwriters. The Offer Shares allocated to such subscribers will be transferred to a VPS account operated by DNB Markets on behalf of the Underwriters and will be transferred to the non-paying subscribers when payment of the subscription amount for the relevant Offer Shares is received. However, the Underwriters reserve the right to sell or assume ownership of the Offer Shares from and including the fourth day after the Payment Date without further notice to the subscriber in question if payment has not been received within the third day after the Payment Date. If the Offer Shares are sold on behalf of the subscriber, the subscriber will be liable for any loss, costs, charges and expenses suffered or incurred by the Company and/or the Underwriters as a result of, or in connection with, such sales. The Company and/or the Underwriters may enforce payment for any such amount outstanding in accordance with applicable law. The Underwriters' obligations to pay for the Offer Shares pursuant to the payment guarantee is subject to the satisfaction or waiver of the conditions set out in the Underwriting Agreement.



**BW Offshore Limited**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

**Joint Bookrunners**

ABN AMRO  
Gustav Mahlerlaan 10  
1082 PP Amsterdam  
the Netherlands

Danske Bank  
Bryggetorget 4  
N-0107 Oslo  
Norway

DNB Markets  
Dronning Eufemias gate 30  
N-0191 Oslo  
Norway

Nordea Markets  
Essendrops gate 7  
N-0107 Oslo  
Norway

Pareto Securities  
Dronning Mauds gate 3  
N-0250 Oslo  
Norway

**Joint Lead Managers**

ING Bank  
Bijlmerplein 888  
1102 MG Amsterdam  
the Netherlands

SEB  
Filipstad brygge 1  
N-0252 Oslo  
Norway

Swedbank  
Filipstad brygge 1  
N-0252 Oslo  
Norway

**Legal Adviser to the Company**

*(as to Norwegian law)*

Advokatfirmaet Thommessen AS  
Haakon VIIIs gate 10  
N-0161 Oslo  
Norway

**Legal Adviser to the Joint Bookrunners**

*(as to Norwegian law)*

Advokatfirmaet BA-HR DA  
Tjuvholmen allé 16  
N-0252 Oslo  
Norway