BW Offshore

Contemplated amendments to BWO06

October 2025

BW OFFSHORE

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Executive Summary

- BW Offshore (the “Issuer”) has been / is contemplating to amend certain financial covenants / restrictions across its existing financing facilities, including certain covenants in BWO06 (ISIN: NO0013077560).

- For existing bondholders, the contemplated changes relates to the:

  1. Equity ratio; and

  2. Distributions (herein “Dividend covenant”).

- The contemplated amendments have already been approved by the existing syndicate banks across the company’s banking facilities including the corporate RCF and Catcher Facility. The amendments remain subject to final approval by the Barossa facilities, which is anticipated to be received imminently.

1 Equity ratio – explanation

The Parent shall procure that the Equity Ratio of the Group shall not fall below 25 %.

Background

- Conventionally, FPSO projects are funded by a mix of straight equity and debt financing.
- As a result of the Covid-era inflation and supply chain pressures, capex on FPSO projects has increased dramatically in recent years. Coupled with increased financing costs faced by FPSO contractors with little corresponding fluctuation in oil price, clients often struggle to achieve the economic benefits from their E&P business that they would have had before such increases and need to use the various tools in their toolboxes to lower the ongoing cost of FPSO projects. One of these tools is to provide part of the funding themselves due to lower cost of capital and the FPSO contractors not needing to pass on interest cost on part of that capex.
- As a result, we experience that most projects include some element of upfront payments and/or advance charter payments (ACP) from the client (like BWO had from Santos for the Barossa project where Santos funded ~$1bn and debt finance is ~$1.15bn). Providing financing to the FPSO contractors will likely benefit the overall economics of the project for the client.
- Different projects will have such upfront payments or ACP structured in different ways depending on the jurisdiction, contract type, tax implications, client preference and accounting requirements, so it will be difficult to prescribe specific types of funding, although we and our project lenders would require that any repayment of that funding to be subordinated to other debt provided to the relevant group company. Any funding would need to have a refundable nature to it, however that would only happen in catastrophic circumstances where a client cancels a project during construction, which has not happened in the FPSO industry.
- From BWO and lenders' perspectives, client funding helps align interests between clients and FPSO contractors in achieving operational readiness and final acceptance.
- The challenge is that these upfront payments and/or ACP would be likely classified as liabilities in BWO's balance sheet according to IFRS.

Request

- To carve out client funding (including prepayments and/or ACPs) from the definition of total assets to better reflect the true debt position of BWO, ie. third party financial institution borrowings.

1 Equity ratio – change to be made

Before

Clause:

The Issuer shall ensure that the Equity Ratio of the Group shall not fall below 25 %.

Definitions:

“Equity Ratio” means the ratio of Equity to Total Assets.

“Equity” means the Issuer's (on a consolidated basis) nominal book value of equity treated as equity in accordance with the Accounting Principles.

“Total Assets” means the Issuer’s (on a consolidated basis) book value of assets in accordance with the Accounting Principles.

After

Clause:

The Issuer shall procure that the Equity Ratio of the Group shall not fall below 25 %.

Definitions:

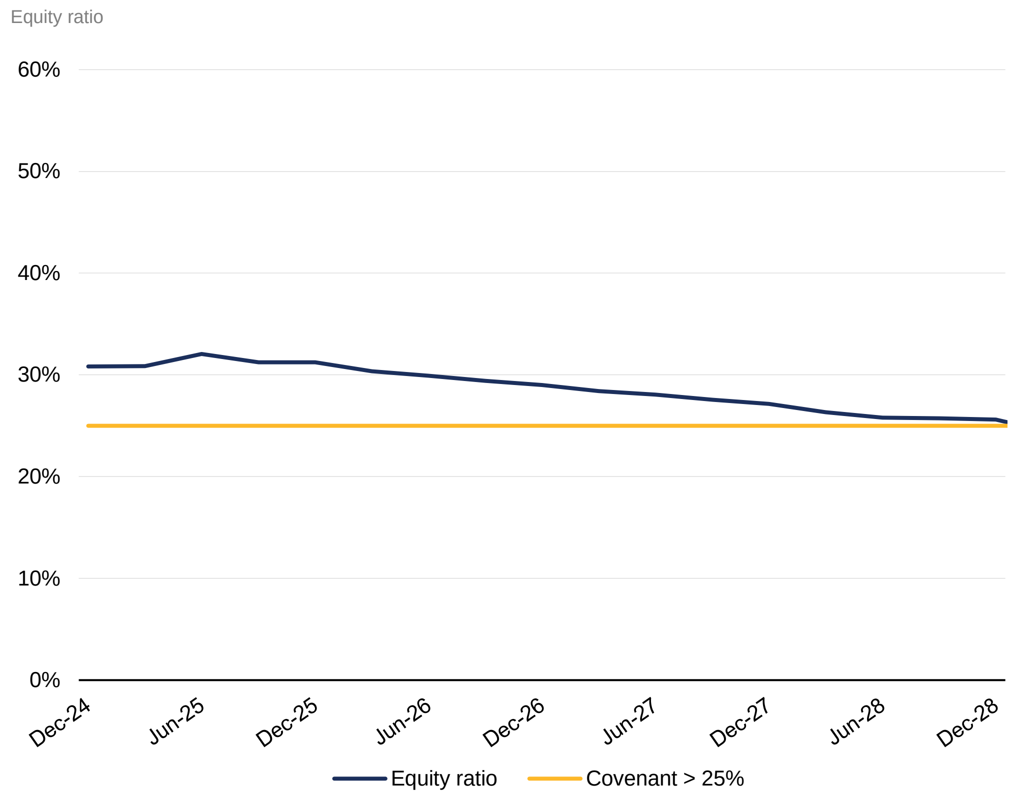
“Equity Ratio” means the ratio of Equity to Total Assets.

“Equity” means the Issuer's (on a consolidated basis) nominal book value of equity treated as equity in accordance with the Accounting Principles.

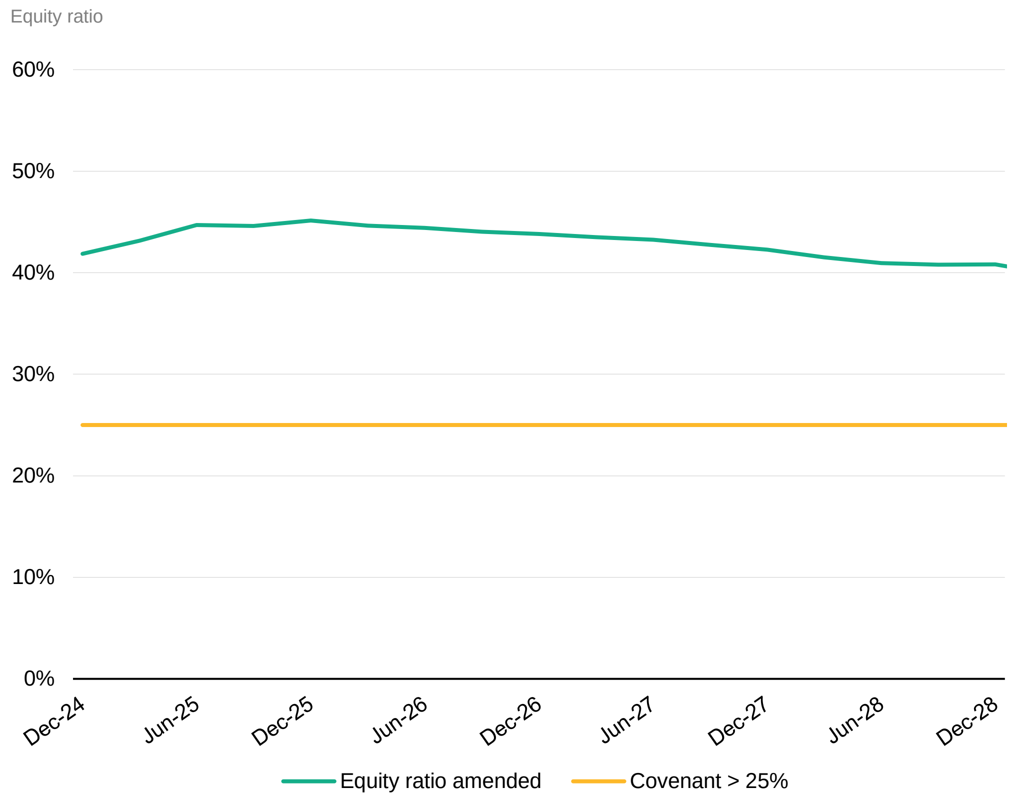
“Total Assets” means the Issuer’s (on a consolidated basis) book value of assets in accordance with the Accounting Principles, adjusted to exclude any amounts corresponding to payment in advance, or prepayment, of charter hire or any form of funding or finance received by a Group Company from a client of the Group that is subordinated to the specific financing provided by lenders to that relevant Group Company (however defined and structured).

1 Equity ratio – illustration of impact

Before



After



The above illustration is based on a hypothetical ("stress test") scenario in which BWO undertakes a construction project of ~USD 2.6 billion, starting in January 2026. Of this amount, 50% is assumed funded through client prepayments and 35% through debt financing. The right-hand graph depicts how the equity ratio would evolve if the covenant was amended as proposed. **BWO will not breach the covenant at current structure within the lifespan of the bond**

2 Dividend covenant – explanation

Background

- The current covenant constrains the company's ability to achieve efficient capital allocation and limits flexibility in the deployment of available liquidity.
- New projects are generally long-term lease contracts that must be accounted for as finance leases. As a result, this is creating a growing disparity between the company's annual financial results, the actual cash flow generated by these leases, and the company's underlying financial capacity.
- Further, client funding will distort the earnings/revenue and will materially affect the net profit even though such sums are used immediately for investment in projects.
- BW Offshore is already bound by a set of fairly conservative financial covenants, notably a minimum liquidity requirement of USD 75 million.
- The dividend-specific limit of 50% of net profit indeed adds a hard cap that seem unnecessarily tight — as non-cash items (like depreciation (including depreciation on full capex on assets where the clients have paid a significant part upfront) or where implicit interest related to finance leases) are materially depressing net income.

Request:

- To amend the dividend covenant to allow for payment of up to 100% of accumulated net profit starting from 1 January 2025.

2 Dividend covenant – change to be made

Before

Clause:

(a) The Issuer shall not make any Distributions to its shareholders exceeding the higher of:

i. 50% of the Issuer's net profit (calculated in accordance with the Accounting Principles) according to its latest annual financial statements; and

ii. USD 0.25 for each outstanding share in the Parent (adjusted accordingly for subsequent share splits and reverse share splits after the date of these Bond Terms),

in each case on an annual basis

(b) The above limitations shall not apply to:

iii. a BW Energy Distribution; or

iv. any Distribution made as part of an employee share incentive programme of the Group.

(c) No Distribution may be made if an Event of Default has occurred and is continuing or would result from such Distribution

After

(a) The Issuer shall not make any Distributions to its shareholders exceeding the higher of:

i. 100% of the Issuer's net profit (calculated in accordance with the Accounting Principles) according to its ~~latest~~ annual financial statements on an accumulated basis starting from its financial year commencing 1 January 2025, less the aggregate amount of dividends already declared and paid in respect of such period; and

ii. USD 0.25 for each outstanding share in the Parent (adjusted accordingly for subsequent share splits and reverse share splits after the date of these Bond Terms) on an annual basis.

~~in each case on an annual basis,~~

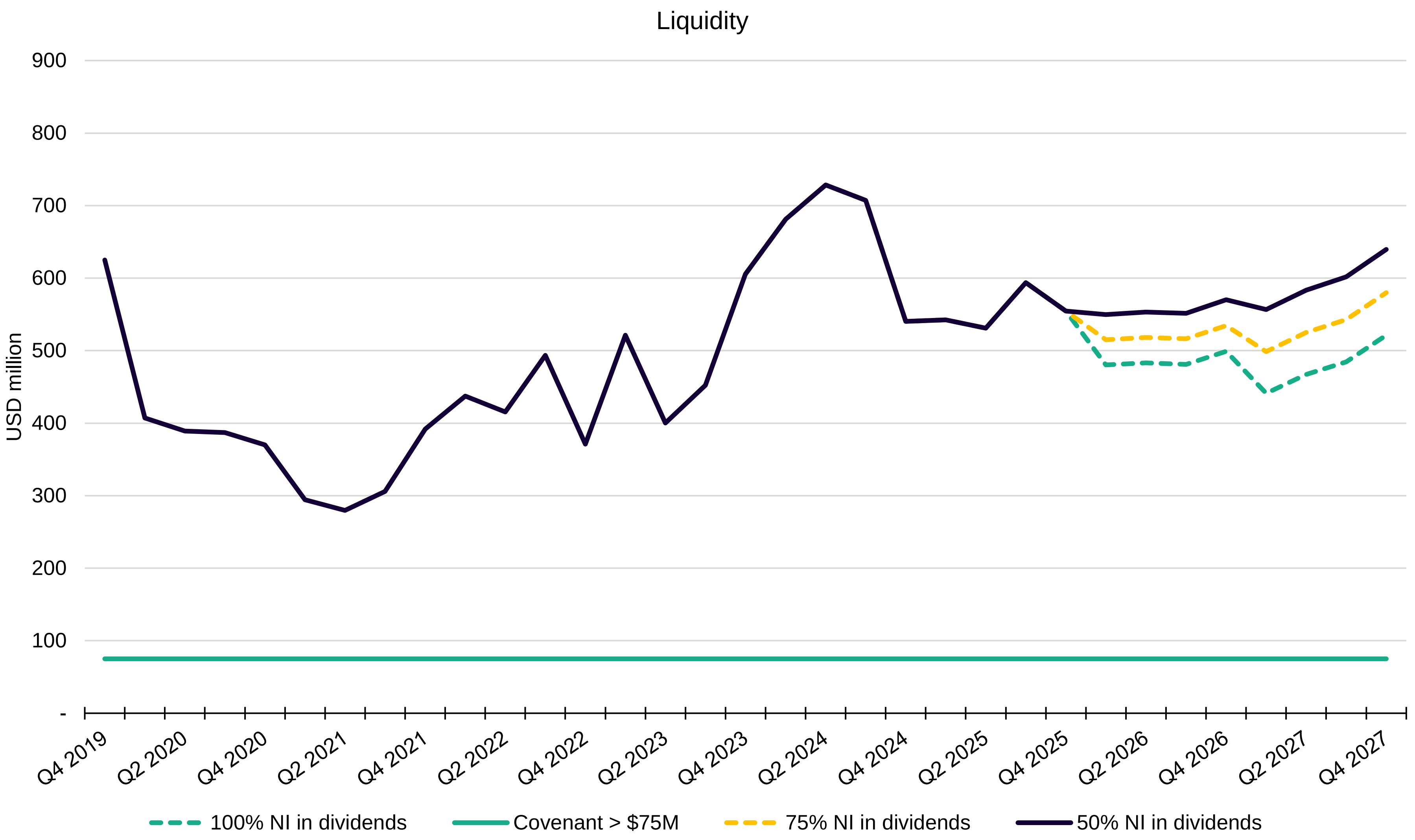
(b) The above limitations shall not apply to:

~~iii. a BW Energy Distribution; or~~

iv. any Distribution made as part of an employee share incentive programme of the Group

(c) No Distribution may be made if an Event of Default has occurred and is continuing or would result from such Distribution

2 Dividend covenant – illustration of impact



The case shown here is the BWO "as-is" case, where no new projects are added during the forecast period.

The main assumptions are:

- BW Catcher operates until end of 2028.
- BW Adolo is sold to BW Energy for USD 100 million in September 2028.
- BW Pioneer is operated until March 2030.
- BW Opal achieves Practical Completion in Q4 2025 and starts the 15-year firm period.
- All debt is repaid according to their respective schedules.

Proposal

- As the current bond financing framework has largely been in place since its debut offering in 2012, the Issuer believes the proposed amendments better reflect how FPSO projects are being contracted and financed this decade and also the true financial position of BW Offshore as of today

- To compensate bondholders for the proposed changes, the Issuer offers a one-time amendment fee of 1.50% of the notional amount of the outstanding bonds

- The Issuer seeks to get pre-consent from you as a bondholder with the aim to announce a written resolution a short period of time, and as soon as possible