

13 December 2023

To the Independent Committee of the Board of Directors of

Washington Mall Phase 2  
4th Floor, Suite 400  
22 Church Street  
Hamilton HM 1189  
Bermuda

## **FAIRNESS OPINION**

### **To the Independent Committee of the Board of Directors of BW Energy Ltd,**

Pareto Securities AS (“PSEC”) has been engaged by the Independent Committee of the Board of Directors (“Committee”), of BW Energy Ltd (“Company” or “BWE”), to provide an opinion (“Opinion”) on the mandatory offer (“Offer”) by BW Group (“BidCo” or “Offeror”) expected to be announced on 14 December 2023 (“Transaction”). The Offeror's bid of NOK 27.0 per share (“Offer Price”) equates to an approximate total equity value for BWE of NOK 6.9bn (“Transaction Valuation”)

This Opinion is based on both publicly disclosed data and information supplied by the Company, including, but not limited to, the Company's management estimates. While we presume the accuracy of the data, we haven't independently verified it and make no warranties regarding its accuracy. Our assessment leverages recognized valuation methodologies deemed pertinent and is predicated on current market and economic conditions verifiable as of today's date. No formal due diligence has been conducted by PSEC.

In our assessment, it is apparent that the Transaction Valuation is below the fair value (“FV”) of BWE's assets adjusted for net debt. Our analysis is based on risked DCF valuation and sensitivities based on the Company's best estimates of future cash flows for the two core producing assets (Dussafu and Golfinho licenses), including the marketable assets such as the two owned drilling units currently not in operation. The value gap increases further when we add risked values of identified development projects to extract more reserves as well as the Maromba and Kudu discoveries.

Multiple supplemental factors are examined to evaluate the Offer's fairness. These include, inter alia, observed market pricing of similar assets, analysts' NAV calculations, the Offer Price compared to the historical stock price since listing and the Company's access to, and potential need for liquidity to realize the project portfolio without dilution to shareholders.

Based on the totality of considerations assessed, PSEC concludes that the Offer is not fair.


However, it is a possibility that the free float post the acceptance period will decrease and that BW Offshore (22.5% shareholder owned 49.9% by Offeror) will accept, thus bringing BWG to a post-ownership of more than 62.5%, and potentially much higher depending on acceptance from minority shareholders. Minority shareholders should take such a scenario into considerations when considering the Offer. Lower free float may result in increased trading discount to the FV.

For this engagement, PSEC will receive a fixed fee, which is not contingent upon the Opinion's conclusions. As of today, PSEC has no ongoing engagements with either the Committee or the Company. However, given our position in the Nordic financial market, future assignments could emerge, though none are perceived to influence this current Opinion. A member of the investment banking team of PSEC who has participated in preparing this Opinion owns 30,000 shares in the Company. The Opinion is dated 13 December 2023 and does not account for subsequent events or information.

While this Opinion is formulated with due care, it inherently bears elements of uncertainty. Although reasonable care and efforts have been exerted, PSEC does not accept any legal or financial liability arising from this Opinion or for any consequences resulting from acting to or relying on statements made in the Opinion.

This Opinion is not an endorsement or a recommendation for the Committee, the Company, or its shareholders to either accept or decline the Transaction. We advise the Committee to weigh this proposal against its own analysis and preferences.

On behalf of Pareto Securities AS,



Andreas Stubsrud  
Senior Partner | Investment Banking