

BW OFFSHORE: THIRD QUARTER RESULTS 2019

HIGHLIGHTS

- EBITDA of USD 162.1 million and Operating Cashflow USD 151.9 million for the quarter
- Year to Date EBITDA USD 540.5 million
- Extension signed for FPSO Petróleo Nautipa
- FPSO Umuroa contract not extended
- Gross production from Tortue of 1.07 million bbls
- Significant oil discovery at Hibiscus
- Ruche phase 1 development plan revised to accelerate production growth
- Successfully raised USD 297.4 million through issue of 5-year convertible bond
- New NOK 900 million 4-year Nordic HY bond issue successfully completed in November

EBITDA for the third quarter of 2019 was USD 162.1 million, compared to USD 191.6 million in the second quarter 2019. The result reflected continued and stable high commercial uptime from the FPSO fleet, offset by the impact of the USD 10 million provision for outstanding payments for Umuroa and lower realised oil price from the lifting compared to second quarter.

Gross production from Tortue averaged 11,600 bbls per day in the third quarter. The total gross production from the Tortue field was 1.07 million bbls of oil. One lifting was completed by the licence partners in the third quarter, yielding approximately net 591,000 bbls to BW Energy at a realised price of USD 61.3 per barrel. Production cost (excluding royalty) was USD 21 per barrel in the quarter.

Drilling operations at Hibiscus in the Dussafu license proved a significant oil reservoir in the structure. In October, BW Offshore announced a revised Ruche development plan including the Hibiscus discovery which will accelerate production growth from Ruche phase 1 from an estimated 15,000 bbls/day to 30,000 bbls/day. These volumes will come in addition to the production from the Tortue field.

The Company also received a reserve report from independent auditor Netherland, Sewell & Associates Inc. (NSAI) which assesses 2P gross Hibiscus reserves at 45.4 million barrels of oil, confirming management estimates. After adding the Hibiscus discovery, the 2P gross reserves at Dussafu have increased to 112.4 million barrels, a 68% increase compared to those reported at mid-year 2019. This increase is mainly related to the Hibiscus discovery, as well as better than expected production and recovery at Tortue.

In November, BW Offshore successfully issued a USD 297.4 million senior unsecured convertible bond due 2024 as well as a NOK 900 million Nordic HY bond with maturity in 2023. These bond issues were done with the intent to refinance existing Nordic HY bonds, which addresses maturity on bonds and will add flexibility with regard to the company's dividend policy.

"We deliver on our strategic priorities with consistent high uptime on our FPSOs, steady production from the Tortue field and through value enhancing exploration and development activities in the Dussafu license. The Hibiscus discovery and revised development plan for Ruche phase 1 will accelerate our production growth and value creation," said Marco Beenen, CEO of BW Offshore.

SUMMARY OF INCOME STATEMENT (UNAUDITED)

USD MILLION	Q3 2019	Q2 2019	YTD 2019	YTD 2018
Operating revenue	267.2	286.0	849.6	615.0
Operating expenses	(105.2)	(94.8)	(310.1)	(275.6)
Share of profit/(loss) from equity accounted investments	0.1	0.4	1.0	0.9
EBITDA	162.1	191.6	540.5	340.3
Depreciation	(96.1)	(100.6)	(300.1)	(245.4)
Amortisation	(0.2)	(0.5)	(1.4)	(1.5)
Impairment vessels and other assets	-	-	-	(0.1)
Gain/(loss) sale of assets	(0.1)	-	-	-
Operating profit/(loss)	65.7	90.5	239.0	93.3
Net financial income/(expense)	(32.4)	(39.8)	(102.0)	(40.9)
Profit/(loss) before tax	33.3	50.7	137.0	52.4
Income tax expense	(23.8)	(21.3)	(61.5)	(26.2)
Net profit/(loss)	9.5	29.4	75.5	26.2

FINANCIALS

Net financial expense was USD 32.4 million in the quarter which includes a significant negative non-cash impact from mark-to-market adjustments on interest rate hedges.

Total equity at 30 September 2019 was USD 1,374.1 million (USD 1,373.4 million)¹. The equity ratio increased to 40.8% at the end of the quarter (40.5%).

Total utilised debt facilities for the Company, including bond loans and other facilities were USD 1,272.2 million. Total available liquidity as of 30 September 2019 amounted to USD 532.0 million. Net interest-bearing debt reduced to USD 999.1 million at 30 September 2019 (USD 1,046.1 million).

In November, BW Offshore issued a USD 297.4 million senior unsecured convertible bond due 2024. The bond has a fixed coupon of 2.50% payable semi-annually. The initial conversion price is equal to USD 10.24 per share, which corresponds to a 37.5% premium over the VWAP (volume weighted average price) as of 5 November 2019. The transaction was well received by investors and was significantly oversubscribed. The net proceeds of the offering will be used to refinance existing debt and for general corporate purposes.

In November, the Company successfully completed a NOK 900 million senior unsecured bond issue with a coupon of three months NIBOR + 4.50% and maturity in December 2023. Settlement of the new bond issue is scheduled for 4 December 2019. The existing NOK bonds have either been repurchased as part of the offering or will be called with settlement mid-January 2020.

These bond issues were done with the intent to refinance existing Nordic HY bonds, which addresses maturity on bonds and will add financial flexibility.

FPSO OPERATIONS

The FPSO fleet continued to deliver consistent high uptime in the quarter, including BW Catcher which operated about 10% above nameplate capacity. The average commercial uptime for the fleet was 99.9% (99.7%).

The firm period for FPSO Petrleo Nautipa was extended to the third quarter of 2021.

The contract for Umuroa in New Zealand was terminated effective 31 December 2019. Following the termination of the FPSO contract and recent developments, BW Offshore assessed contractual hire which is due but not paid by the client Tamarind Resources for the FPSO Umuroa. The assessment identified uncertainties related to payment of outstanding overdue hire and payment of future hire until the termination. The potential total EBITDA exposure for both past and future hire could be up to USD 23 million by end of 2019, part of which was recognised through the provision of USD 10 million recorded in the third quarter.

¹ Figures presented are compared to previous quarter (previous quarter in brackets)

BW Offshore has started preparations for disconnection and demobilisation and will seek to recover all outstanding hire from Tamarind Resources and its parent company under the provisions of the existing contracts.

E&P OPERATION

Gross production from Tortue averaged 11,600 bbls per day in the third quarter. The total gross production from the Tortue field was 1.07 million bbls of oil. One lifting was completed by the licence partners in the third quarter, yielding approximately net 591,000 bbls to BW Energy at a realised price of USD 61.3 per barrel. Production cost (excluding royalty) averaged USD 21 per barrel in the quarter. The 2019 full-year production forecast remains 4.1 - 4.4 million barrels of oil.

E&P DEVELOPMENT

In October, BW Offshore successfully completed drilling operations on the Hibiscus Updip prospect in the Dussafu license. Both the exploration well and appraisal side-track encountered oil on the Hibiscus structure. An updated reserve report from independent auditor Netherland, Sewell & Associates Inc. (NSAI) was completed which assesses the 2P gross Hibiscus reserves at 45.4 million barrels of oil, confirming management estimates.

After adding the Hibiscus discovery, the 2P gross reserves at Dussafu have increased to 112.4 million barrels, a 68% increase compared to those reported at mid-year 2019. This increase is mainly related to the Hibiscus discovery, as well as better than expected production and recovery at Tortue.

The revised Ruche development plan including the Hibiscus discovery will accelerate production growth from the Dussafu license offshore Gabon. Under the revised plan, the contemplated platform will be moved 4 km to the west to incorporate the Hibiscus resources. Ruche phase 1 will in its revised form consist of 4 Hibiscus production wells and 2 Ruche wells, all from the Gamba formation. Phase 2 of the Ruche development will develop the additional proven resources through up to 7 wells to maintain the production plateau. The change in development plan will not affect expected timing of first oil from Ruche. Ruche FID was sanctioned in November.

The estimated capex for the revised Ruche phase 1 has been increased to USD 445 million (gross) from the original estimate of USD 375 million. Estimated incremental reserves to be produced by Ruche phase 1 are 50 million bbls gross (management estimate). Total field operating costs including Ruche phase 1 are estimated to be USD ~10 per barrel excluding royalties and taxes at current FPSO nameplate capacity.

Drilling operations at Tortue are currently ongoing with the rig completing 4 subsea production wells on the Tortue field which will be tied back to BW Adolo, before drilling another exploration well. The location of the exploration well is still to be determined.

In August, The Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) approved BW Offshore as an operator in Brazil and the transfer of Chevron and Petrobras' participating interest in the Maromba field to BW Offshore.

BW ENERGY

As of 1 October 2019, all upstream assets of BW Offshore and BW Group have been organised in BW Energy Limited. BW Energy Limited (BWE) is a newly established Bermuda company and will serve as parent company for the E&P business and become the listed entity. In preparation for the listing, assets were transferred on an arm's length basis from the BW Offshore to BWE in October.

BW Offshore is prepared to initiate the planned listing of BWE on the Oslo Stock Exchange subject to conducive market conditions. Investor feedback to date has been encouraging. BW Offshore will remain a major long-term shareholder in BWE after a listing.

OUTLOOK

Cash flow from offshore field developments has improved in recent years due to cost reductions, increased efficiency and reduced time to first oil and payback through phased projects. As free cash flow from offshore field developments improve, the number of sanctioned projects is expected to increase going forward. The combination of more developments, shorter-cycle investments and project phasing focus will likely lead to increased demand for leased FPSOs.

BW Offshore has developed and deployed an integrated asset and field development strategy through the Dussafu investment. The focus on a phased low-risk approach, with short time from FID to first oil, rapid payback and a low break even has been a significant success. The same approach will be applied to the Maromba development offshore Brazil and to other new field development projects to ensure attractive returns to stakeholders.

The majority of BW Offshore's fleet remains on long-term contracts with national and independent oil companies. These contracts will continue to generate significant cash flow in the time ahead. However, as contracts are coming to an end, BW Offshore is well positioned to continue to generate cash flow from the fleet through redeployments proactively enabled by BW Energy as well as through new contracts with clients of BW Offshore.

The Company will continue to bid for new FPSO projects but will maintain a commercially disciplined approach to new investments. The business is generating steady and significant free cash flow, and the Company is focused on optimising the capital structure in a manner to ensure good liquidity and a strong financial balance sheet.

Please see attachments for the full press release and presentation. The Earnings Tables are available at: www.bwoffshore.com/ir

BW Offshore will host a presentation of the financial results 09:00 (CET) today at Hotel Continental in Oslo, Norway. The presentation will be given by CEO Marco Beenen and CFO Ståle Andreassen.

The presentation will be broadcasted via webcast and will also be available for replay. Please visit www.bwoffshore.com for details.

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About BW Offshore:

BW Offshore is a leading provider of floating production services to the oil and gas industry. The company also participates in developing proven offshore hydrocarbon reservoirs. BW Offshore is represented in all major oil and gas regions world-wide with a fleet of 15 owned FPSOs. The company has more than 30 years of production track record, having executed 40 FPSO and FSO projects. BW Offshore is listed on the Oslo Stock Exchange.

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.