Voluntary exchange offer to acquire all issued and outstanding shares of

Prosafe Production Public Limited

made by

BW Offshore Limited

Consideration:

1.2 shares in BW Offshore plus NOK 2.00 in cash for each share in Prosafe Production.

If Prosafe Production completes the sale of its turret and swivel business (the "Turret Business") no later than two Norwegian business days prior to expiry of the Offer Period on conditions as set out in Section 5.5 "Offer Price - Consideration" of this Offer Document, the Consideration shall be 1.2 shares in BW Offshore plus NOK 5.25 in cash for each share in Prosafe Production.

Offer Period:

From and including 29 July 2010 to and including 25 August 2010 at 17:30 hours (CET).

This offer document and information memorandum containing equivalent information as a prospectus (the "Offer Document") has been prepared by BW Offshore Limited ("BW Offshore", "BW Offshore Group" or the "Company") in connection with (i) its voluntary offer (the "Offer" or the "Exchange Offer") for the shares of Prosafe Production Public Limited ("Prosafe Production" or "Prosafe Production Group"), not currently owned by BW Offshore and (ii) the offer of the new BW Offshore shares (the "Consideration Shares") to be issued as consideration for the Prosafe Production shares as a part of the Offer and listing of such shares on Oslo Børs ASA ("Oslo Børs").

Investing in the Company's Shares involves certain risks. See Section 2 "Risk Factors" of this Offer Document.

Financial Advisers

Carnegie HSBC

27 July 2010

For the definitions of terms used throughout this Offer Document, including the preceding pages, see Section 21 "Definitions and Glossary of Terms".

The Company has furnished the information in this Offer Document. The Company's financial advisers, Carnegie ASA ("Carnegie") and HSBC Bank plc ("HSBC") (hereinafter together referred to as the "Financial Advisers"), make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Offer Document is, nor shall be relied upon as, a promise or representation by the Financial Advisers. This Offer Document has been prepared to comply with the requirements regarding voluntary offers set out in Chapter 6 of the Norwegian Securities Trading Act of 2007 (the "Norwegian Securities Trading Act") and the requirements regarding public offer and listing of shares set out in Chapter 7 of the Norwegian Securities Trading Act. The Offer Document has been reviewed and approved by Oslo Børs in accordance with Section 6-14 of the Norwegian Securities Trading Act, and reviewed by the Norwegian Financial Supervisory Authority (the "NFSA") in accordance with Section 7-13, cf. Sections 7-4 no 6 and 7-5 no 7 of the Norwegian Securities Trading Act. This Offer Document has been published in an English version only, but contains a Norwegian summary set out in Section 20 "Norsk sammendrag (Norwegian summary)". Please note that the Norwegian summary is a translation of Section 5 "The Offer". In the event of any discrepancies between the contents of the Norwegian text and the English text, the English text will prevail.

Except for the approval by Oslo Børs and the review by the NFSA as described above, no action has been taken or will be taken in any jurisdiction by the Company or the Financial Advisers that would permit the possession or distribution of any documents relating to the Offer, or any amendment or supplement thereto, including but not limited to this Offer Document, in any country or jurisdiction where specific action for that purpose is required. Accordingly, this Offer Document may not be used for the purpose of an offer of, or solicitation for, any securities in any jurisdiction or circumstances in which such offer or solicitation would be unlawful or unauthorised.

BW Offshore intends to apply for and expects to receive consent under the Bermuda Exchange Control Act 1972 (and its related regulations) from the Bermuda Monetary Authority for the issue and transfer of the shares to and between non-residents of Bermuda for exchange control purposes provided the Shares remain listed on an appointed stock exchange, which includes the Oslo Børs. This Offer Document will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this Offer Document for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the Company's financial soundness or the correctness of any of the statements made or opinions expressed in this Offer Document.

All inquiries relating to this Offer Document shall be directed to the Company or the Financial Advisers. No other person has been authorised to give any information about, or make any representation on behalf of, the Company in connection with the Offer, and, if given or made, such other information or representation must not be relied upon as having been authorised by the Company or the Financial Advisers. The Financial Advisers are acting for the Company and no one else in connection with the Offer and will not be responsible to anyone other than the Company for providing advice in relation to the Offer and/or any other matter referred to in this Offer Document. In the ordinary course of business, the Financial Advisers and certain of their affiliates have engaged, and may continue to engage, in investment and commercial banking transactions with the Company, Prosafe Production and their respective subsidiaries.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. There may have been changes affecting the Company or its subsidiaries subsequent to the date of this Offer Document. Any new material information and any material inaccuracy that might have an effect on the assessment of the shares of the Company (the "Shares") arising after the date of this Offer Document and before the expiry of the Offer Period, will be published and announced as a supplement to this Offer Document in accordance with Section 7-15 of the Norwegian Securities Trading Act. Neither the publication nor the distribution of this Offer Document or the completion of the Offer shall under any circumstances create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Offer Document is correct as of any time since its date.

Unless otherwise indicated, the source of information included in this Offer Document is the Company. The information in this Offer Document pertaining to Prosafe Production has been prepared in accordance with publicly available information, including annual reports, interim reports, investor information, stock exchange notices published by Prosafe Production and the prospectus issued by Prosafe Production dated 30 May 2008. The contents of this Offer Document are not to be construed as legal, business or tax advice. Each reader of this Offer Document should consult its own legal, business or tax adviser as to legal, business or tax advice. If you are in any doubt about the contents of this Offer Document, you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

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APPENDICES:

1 SUMMARY

This summary should be read as an introduction to the Offer Document and any decision to invest in the Shares should be based on consideration of the Offer Document as a whole by the investor, including the documents incorporated by reference and the risks of investing in the Shares set out in Section 2 "Risk Factors". This summary is not complete and does not contain all the information that should be considered in connection with any decision to accept the Exchange Offer or otherwise relating to the Shares.

Where a claim relating to the information contained in this Offer Document is brought before a court in any state party to the European Economic Area (an "EEA State"), the plaintiff might under the applicable legislation of the EEA State have to bear the costs of translating the Offer Document before the legal proceedings are initiated. No civil liability will attach to the Board of Directors of BW Offshore in any EEA State in respect of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Offer Document.

The information in this Offer Document pertaining to Prosafe Production has been prepared in accordance with publicly available information, including annual reports, interim reports, investor information, stock exchange notices published by Prosafe Production and the prospectus issued by Prosafe Production dated 30 May 2008.

1.1 The Offeror – BW Offshore Limited

1.1.1 Introduction and history

BW Offshore is an international oil services company focused on the market for Floating Production Storage and Offloading ("FPSO"). The Company's operations date back to a division established by Bergesen d.y. ASA in 1997. BW Offshore was incorporated on 7 June 2005 in Bermuda, and its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. BW Offshore was listed on Oslo Børs on 31 May 2006 with the ticker code "BWO". In 2007, BW Offshore successfully launched and concluded the acquisition of the oil service company APL (Advanced Production & Loading) Plc ("APL"), a company listed on Oslo Børs. APL is one of the leading technology providers of turret mooring systems, offshore terminals and installation services.

The Company has since its start of operation carried out 15 FPSO projects and delivered more than 50 turret mooring and terminal systems worldwide.

The Company's main shareholder is BW Group Limited ("BW Group"). BW Group is one of the world's leading maritime groups in the tanker, bulk, chemical, products and gas segments, operating a fleet of 117 owned, part-owned or controlled vessels.

1.1.2 Goal and strategy

BW Offshore's strategic goal as a stand-alone entity is to grow organically as a stand-alone entity by undertaking approximately two new FPSO conversions at any point in time, subject to market conditions, thereby achieving a diversified portfolio of FPSOs both in terms of the scale of projects, clients, regulatory regimes and geography. Through the technology division APL, BW Offshore aims to deliver cutting edge turnkey mooring and fluid transfer solutions for production vessels, storage vessels and tankers in a wide range of field developments and environmental conditions.

The Company will continue to enhance its core strengths, which are;

- Project execution;
- Operations;
- In-house technology;
- Installation services; and
- Geographical presence.

BW Offshore aims to grow its business in all the major offshore operating areas of the world. With its recent experience from the Tupi and Cascade & Chinook fields, BW Offshore will be well positioned to pursue new deep water developments around the world.

The Company will focus on maximising shareholder value by improving the risk-weighted return on invested capital. BW Offshore will also actively consider consolidation opportunities if these are considered to be value enhancing for the Company's shareholders.

1.1.3 Business description

BW Offshore is one of the world's leading FPSO contractors. BW Offhore's APL division is market leader for turnkey mooring and fluid transfer solutions for production vessels, storage vessels and tankers in a wide range of field developments and environmental conditions to the oil and gas industry[1]. Adapting through competence, in-house technology, solid project execution and operational excellence, BW Offshore ensures that customer needs are met through versatile solutions for offshore oil and gas projects. BW Offshore has as a global presence with offices in Europe, Asia Pacific, West Africa and the Americas.

The Company owns and operates six FPSOs and one FSO. The Company also has two conversion projects, the ULCC BW Nisa for Papa Terra P-63 project for Petrobras in Brazil and BW Genie for the Terang Sirasun Batur ("TSB") fields for Kangean Energy Indonesia ("KEI") in Indonesia, as well as the conversion candidate VLCC BW Ara, which is earmarked for future FPSO projects. The fleet is further described in Section 11.8 "FPSO-division" below.

1.2 The Target Company – Prosafe Production

Prosafe Production is a public limited liability company incorporated under the laws of Cyprus with company registration number 213521. The registered office of Prosafe Production is at City House, 3rd floor, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus, while its operational headquarters are in Singapore and Holland. Prosafe Production has a share capital of USD 25,520,176.40, divided into 255,201,764 shares, each with a par value of USD 0.10. The Prosafe Production shares are registered in the Norwegian Central Securities Depository (the "VPS") under the International Securities Identification Number ("ISIN") CY0100610910 and are listed on Oslo Børs under the ticker code "PROD".

Prosafe Production is an owner and operator of FPSOs. The company has 25 years of operational experience from several of the world's largest oil and gas provinces. Prosafe Production operates globally and employs approximately 1,000 employees including hired personnel from more than 40 countries.

Prosafe Production currently owns and operates a fleet of eight FPSO vessels (including an FDPSO) and two FSO vessels, as further described in Section 0 "Fleet and contracts" below.

1.3 Board of Directors, Management and Employees of the Company

The board of directors of the Company ("Board" or "Board of Directors") consists of Dr. Helmut Sohmen (Chairman), Christophe Pettenati-Auzière (Deputy Chairman), Andreas Sohmen-Pao (Director), René Huck (Director), David Gairns (Director), Kathie Child-Villiers (Director) and Maarten R. Scholten (Director).

The Company's management consists of Carl K. Arnet (CEO), Knut R. Sæthre (CFO), Jon Myran (Executive Vice President Operations), Erik Svendsen (Executive Vice President APL), Tom Arne Kristiansen (Executive Vice President Technology) and David Sverre (Executive Vice President Projects).

As of 30 June 2010, BW Offshore had 943 employees. 437 of the employees are involved in the onshore operations in the offices in Arendal, Oslo, Singapore, Rio de Janeiro, Houston, Ciudad del Carmen and local land bases around the world, and 506 are employed on the eight offshore units and the conversion candidate owned by the company in Nigeria, Russia, Mauretania, Mexico, Brazil, US, North Sea basin and China (conversion project).

[1] BW Offshore's technology division APL is a market leader based on the market share of number of systems delivered and has provided solutions for production vessels, storage vessels and tankers in a wide range of field developments. BW Offshore estimates that since 2000 their approximate market share has been 33% within turret systems (based on the "open" market) and 13% within terminal systems (source: Company information).

1.4 Major Shareholders and Related Party Transactions

As of 27 July 2010, the five largest shareholders in the Company are:

Table 1-1: Five largest shareholders

Shareholder	Number of Shares	Percentage
BW Group	305,436,227	66.95%
Credit Suisse Securities (NOM)	16,572,888	3.63%
Bank of New York Mellon	14,397,762	3.16%
Odin Norden	11,451,875	2.51%
Odin Offshore	10,719,000	2.35%

The Company has a USD 1,500 million credit facility and has entered into various service contracts, including but not limited to crewing services with the BW Group. Further, and in connection with the Offer, the Company has established a new bridging credit facility of USD 1,100 million with BW Group, with expiry in November 2011. For further information, see Section 15.9 "Related Party Transactions" below.

1.5 Advisers and Auditor

1.5.1 Financial Advisers

Carnegie, Stranden 1, Aker Brygge, 0106 Oslo, Norway and HSBC, 8 Canada Square, London E14 5HQ, United Kingdom, have acted as Financial Advisers in connection with the Offer.

1.5.2 Legal counsel

Advokatfirmaet Thommessen AS has acted as the Company's legal counsel as to Norwegian law in connection with the Offer.

1.5.3 Auditor

PricewaterhouseCoopers AS is the auditor of the Company. For more information about the auditor, please refer to Section 8.4 "Auditor" below.

1.6 Selected Financial Information

1.6.1 Differences between IFRS and US GAAP

The financial information included herein is prepared and presented in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Certain differences exist between IFRS and U.S. GAAP which might be material to the financial information herein. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the Offer and the financial information. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the financial information herein.

1.6.2 Summary BW Offshore Group

Income statements (USD million)	1Q 2010 (unaudited)	1Q 2009 (unaudited)	2009 (audited)	2008 (audited)	2007 (audited)
Revenues	**113.3**	**99.3**	**408.8**	**474.3**	**662.6**
Expenses	**(97.9)**	**(120.5)**	**(385.6)**	**(903.8)**	**(585.5)**
Operating profit / (loss) ("EBIT")	**15.4**	**(21.2)**	**23.2**	**(429.5)**	**77.1**
Net financial items	(12.4)	(7.0)	(20.6)	(87.9)	(11.3)
Profit/ (loss) before tax	3.0	(28.2)	2.6	(517.4)	65.8
Tax expense	**(2.8)**	**(1.6)**	**(11.4)**	**(15.2)**	**(13.7)**
Net profit / (loss)	**0.2**	**(29.8)**	**(8.8)**	**(532.6)**	**52.1**

Statements of financial position (USD million)	1Q 2010 (unaudited)	1Q 2009 (unaudited)	2009 (audited)	2008 (audited)	2007 (audited)
Total non-current assets	2,113.5	1,943.4	2,134.8	1,962.7	2,721.6
Total current assets	382.3	322.9	258.7	338.7	288.0
Total assets	**2,495.8**	**2,266.3**	**2,393.5**	**2,301.4**	**3,009.6**
Total shareholders' equity	919.2	894.0	920.9	923.4	1,508.2
Total non-current liabilities	1,250.9	1,026.8	1,237.5	979.1	891.8
Total current liabilities	325.7	345.5	235.1	398.9	609.6
Total liabilities	1,576.6	1,372.3	1,472.6	1,378.0	1,501.4
Total liabilities and equity	**2,495.8**	**2,266.3**	**2,393.5**	**2,301.4**	**3,009.6**

Key figures	1Q 2010 (unaudited)	1Q 2009 (unaudited)	2009 (unaudited)	2008 (unaudited)	2007 (unaudited)
EBITDA before transactions related to associates (USD million) 1)	31.2	28.5	134.2	40.5	104.9
EBITDA after transactions related to associates (USD million) 2)	32.7	(10.7)	88.6	(44.2)	122.6
EBITDA margin 3)	28.9%	(10.8%)	21.7%	(9.3%)	18.5%
Basic and diluted earnings/(loss) per share (USD) 4)	0.00	(0.07)	(0.02)	(1.17)	0.12
Interest cover ratio 5)	1.65	(3.21)	1.10	(8.87)	2.42
Equity ratio 6)	36.8%	39.4%	38.5%	40.1%	50.1%

Comments:

1) Operating profit before depreciation, write downs and transactions related to associates.
2) EBITDA after transactions related to associates.
3) Earnings before interest, taxes, depreciation and amortization / Operating revenues.
4) Net profit/ weighted average number of ordinary Shares in a year.
5) Result before tax + interest expenses/ Interest expenses.
6) Total shareholder's equity/Total liabilities and equity.

EBITDA before transactions related to associates, is included because management believes it is a useful indicator of the Company's cash flows, and a useful indicator of the Company's earnings. EBITDA and EBIT are not measures of operating performance or liquidity defined by generally accepted accounting principles under IFRS or US GAAP and may not be comparable to similarly titled measures presented by other companies.

The selected consolidated income statement information for the years ended 31 December 2009, 2008 and 2007 and the selected consolidated statements of financial position as of 31 December 2009, 2008 and 2007, have been derived from the Company's audited financial statements. The selected condensed, combined and consolidated income statement information for the three months ended 31 March 2010 and 2009 and the selected consolidated statements of financial position as of 31 March 2010 and 2009 has been derived from the Company's unaudited interim financial statements for the first quarter 2010.

1.6.3 *Significant changes in the BW Offshore Group's financial or trading position since 31 March 2010*

The BW Offshore Group has not experienced any significant changes to its financial or trading position after 31 March 2010 and to the date of this Offer Document.

1.6.4 *Summary of trends and events since 31 March 2010*

On 16 July 2010, BW Offshore signed a contract with KEI for a gas FPSO to operate on the TSB fields in Indonesia. The partners of KEI are PT Energi Mega Persada (50%), Mitsubishi Corporation (25%) and Japan Petroleum Exploration (25%). BW Offshore's scope includes the delivery of the FPSO, risers, umbilicals and mooring system, and BW Offshore will also be responsible for the installation and operation of the unit. The design, fabrication and installation of the mooring system will be executed by BW Offshore's technology division APL. The FPSO will have a capacity of 340 mmscfd of gas compression and conditioning, and the gas will be exported to the East Java Gas Pipeline. The charter contract is for a fixed period of 10 years, plus additional options of up to 4 years. The total contract value is approximately USD 875 million. First gas is planned for early 2012.

Except for the change related to the Offer as described in this Offer Document, and the contract mentioned above, BW Offshore has not experienced any other significant trends or events after 31 March 2010 and to the date of this Offer Document.

1.7 Summary of Capitalisation and Indebtedness

The following table shows the Company's actual capitalisation as of 31 March 2010.

Table 1-4: Summary of capitalisation and indebtedness BW Offshore Group

USD million	
Current financial debt (unsecured)	0.0
Total non-current debt (unguaranteed/unsecured)	963.8
Other liabilities	482.6
Total shareholders' equity	919.2
Liquidity (cash and cash equivalents)	195.0
Net financial indebtedness	592.5

For further information, see Section 10.3 "Capitalisation and Indebtedness" below.

1.8 The Exchange Offer

BW Offshore offers to acquire all issued and outstanding shares in Prosafe Production not already owned by BW Offshore or owned by persons in or from jurisdictions where making of the Offer is unlawful on the terms set out in this Offer Document. The Company wishes to finance the Offer partly through issuance of new shares in the Company. Thus, as a part of the Offer, Consideration Shares in BW Offshore are offered, in combination with cash. The consideration for the issuance of new shares in the Company will consist of shares in Prosafe Production.

The background and reason for the Offer is that BW Offshore considers the FPSO sector to be in need of larger companies that can meet the increasing requirements from clients and regulators in terms of technical competence, scope and investments per unit. BW Offshore is of the opinion that a combination with Prosafe Production (the "Combination") will create an FPSO company with the diversification, presence, financial scale and competence to meet such increased requirements going forward.

Below is a summary of the key terms of the Offer:

Consideration:	1.2 Shares in BW Offshore and NOK 2.00 in cash per share in Prosafe Production. If Prosafe Production completes the sale of its Turret Business no later than two Norwegian business days prior to expiry of the Offer Period for a minimum of USD 165 million and on conditions as announced by Prosafe Production in its stock exchange notices of 22 March 2010 and 30 June 2010, the Consideration shall be 1.2 Shares in BW Offshore and NOK 5.25 in cash per share in Prosafe Production. For the conditions for the higher Consideration refer to Section 5.5 "Offer Price - Consideration".

Offer Period:	The period from and including 29 July to 25 August 2010 at 17:30 hours (CET), provided, however, that the Offer Period may be extended one or more times until 6 October 2010 at 17:30 hours (CET).
Acceptance:	The Offer may be accepted by using the Acceptance Form attached hereto as Appendix 1, or in the Norwegian language in Appendix 2. The Acceptance Form must be delivered to Carnegie ASA, Stranden 1, Aker Brygge, P.O.Box 684 Sentrum, 0106 Oslo, Norway (telephone: +47 22 00 93 20, facsimile: +47 22 00 99 60), and becomes binding upon receipt.
Conditions to the Offer:	The Offer is made subject to conditions relating to the following: • BW Offshore becomes the owner of more than 90% of the Prosafe Production shares through the Offer; • Governmental and regulatory approval; • No intervention; • Other third party consents or waivers; • No material adverse change; • Ordinary conduct of business; and • No issue of shares or equity instruments and no distributions. Each of the conditions may be waived wholly or in part by the Company at its sole discretion.
Deadline for fulfilling the conditions:	The Offer will lapse on 22 October 2010 if the conditions have not been satisfied or waived by the Company prior to such date.
Settlement:	Settlement of the Offer will be made as soon as possible after the expiry of the Offer Period and no later than 14 days after the satisfaction or waiver of the conditions to the Offer. The latest day on which settlement of the Offer may occur is 5 November 2010.
Admission to trading and listing of the Consideration Shares:	The Consideration Shares will be admitted to trading and listed on Oslo Børs automatically upon issue and delivery of such shares to the tendering Prosafe Production shareholders. It is expected that admission to trading and listing will take place on or about 5 November 2010 at the latest.
Expenses:	The estimated expenses related to the Offer are NOK 50 million (USD 8.0 million) (exclusive of VAT). The expenses incurred in connection with the Offer will be borne by BW Offshore.
Statement by Prosafe Production:	The board of directors of Prosafe Production is required to announce its view on the Exchange Offer in accordance with Section 6-16 of the Norwegian Securities Trading Act no later than one week prior to the expiration of the Offer Period.
Shares in Prosafe Production owned by the Company and its close associates:	60,932,990 shares, corresponding to 23.88% of the total number of shares in Prosafe Production as of the date of this Offer Document. In addition, BW Euroholdings Limited, a wholly owned subsidiary of BW Group, owned 15,332,280 shares in Prosafe Production, corresponding to 6.01% of the total number of shares in Prosafe Production as of the date of this Offer Document.
Dilution:	The existing BW Offshore shareholders will be diluted by 33.8 percentage points as a consequence of the Offer and issuance of the Consideration Shares to the Prosafe Production shareholders, assuming that all Prosafe Production shareholders accept the Exchange Offer.

1.9 Summary of Risk Factors

A number of risk factors may adversely affect the Company. The risk factors include:

- **Transaction risk** – The Offer is subject to several conditions that need to be satisfied or waived by BW Offshore before completion of the Offer.
- **Benefits of the Combination** – The Company may encounter difficulties with regard to integrating its and Prosafe Production's operations or realizing the expected benefits of the Combination.
- **Risks related to Prosafe Production –** There are a number of risks related to the business and operations of Prosafe Production, and its markets and financing.

- **Environmental risks** – Changes in environmental laws may put new burdens on the Company, and environmental laws may impose liability for the Company in the event of releases of hazardous substances.
- **Market risks** – Decreases in oil and gas prices, E&P spending, and the supply of FPSO/FSOs may affect the demand for FPSO/FSO services.
- **Competition** – The FPSO industry is highly competitive.
- **Redeployment risks** – There is uncertainty attached to whether options will be exercised and contracts extended.
- **Conversions risks** – Delays and cost overruns related to conversions of tankers may occur.
- **Project risks** – The contracts normally contain clauses which could give the customer a right of early termination.
- **Sub-contractors** – The Company could become liable for consequences resulting from sub-contractors' failure to deliver key materials, components, services, etc.
- **Access to personnel / resources** – The Company needs to attract and retain personnel to expand its business and execute strategy.
- **Geopolitical risks** – Changes in political regimes will constitute a material risk factor for the Company's operations in foreign countries.
- **Tax risk** – The Company is exposed to risk regarding correct application of tax regulations as well as possible changes in tax regulations in the regions in which the Company carries out its business.
- **Operational risks** – The Company's assets are concentrated in one single industry.
- **Credit risk** – The financial position of the Company's major partners may materially change during the contract period.
- **Purchase options** – Certain customers have purchase options attached to the units contracted from the Company.
- **Permits and licenses** – Termination of permits and licenses could have a negative effect of the Company's operations.
- **Adequate insurance protection** – Insurance coverage may not fully cover losses or damages suffered by the Company.
- **Acts of piracy** – Acts of piracy on vessels could have a material adverse impact on the Company's operations.
- **Related party transactions** – Potential conflicts of interest may arise in the future.
- **Exchange rate risks** – The Company's business has USD as its primary functional currency. The Company is exposed to some expenses incurred in currencies other than USD, such as NOK, SGD and EUR.
- **Financial resources** – Cash flow from operations may not be sufficient to fund ongoing activities and implement the Company's business plan, and the Company may encounter difficulties in raising funding.
- **Interest rate risk** – The Company is exposed to risks relating to an increase in the USD interest rate.
- **Liquidity risk** – The Company must successfully manage its liquidity and obtain the necessary financing to fund the expected growth.
- **Financing from BW Group** – The financing with BW Group includes certain restrictive covenants, which includes cross default clauses with other companies within the BW Group. The financing with BW Group will have to be renewed or replaced upon maturity.
- **Price volatility of the Shares** – The market price of the Shares could be subject to fluctuations.
- **Potential dilution of shareholders** – Additional equity issuances may result in dilution of shareholders.
- **Control by BW Group** – BW Group controls a majority of the Shares in the Company.

- **Restrictions for equity offerings under securities laws in certain jurisdictions** – The securities laws of certain jurisdictions may restrict the Company's ability to allow shareholders to participate in offerings of the Company's securities.
- **Restrictions for transfer of Shares under securities laws in certain jurisdictions** – The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions.
- **Holders of Shares registered in a nominee account** – Beneficial owners of Shares that are registered in a nominee account may not be able to vote for such Shares.
- **Enforcement of civil liabilities** – It may be difficult to affect service or enforce judgements against the Company and the members of its Board of Directors.
- **Anti-takeover provisions in the Bye-Laws** – The Company's Bye-Laws contain provisions that could make it more difficult for a third party to acquire the Company without consent of the Board of Directors.

See Section 2 "Risk Factors" below for a discussion of the various risks considered particularly relevant to the Company. If any of these risks or uncertainties actually occurs, the business, operating results and financial condition of the Company could be materially and adversely affected. The risks presented in this Offer Document are not exhaustive, and other risks not discussed herein may also adversely affect the Company. Prospective investors should consider carefully the information contained in this Offer Document and make an independent evaluation before making an investment decision.

1.10 Additional Information

1.10.1 Share capital and shareholder matters

The authorised share capital of the Company is USD 5,000,000, divided into 500,000,000 Shares of USD 0.01 each. The Company's issued share capital is USD 4,562,135.15, consisting of 456,213,515 Shares, fully paid and with a par value of USD 0.01 per share.

Assuming the acceptance of the Exchange Offer for all Prosafe Production shares not previously owned by BW Offshore, the issued share capital will be increased to USD 6,893,360.44, consisting of 689,336,044 Shares, fully paid with a par value of USD 0.01 per Share.

The Shares are registered with the VPS under ISIN BMG1190N1002. The VPS registrar for the Shares is DnB NOR Bank ASA Verdipapirservice, Stranden 21, 0250 Oslo, Norway.

See Section 15 "Share Capital and Shareholder Matters" for a further description of the Company's share capital.

1.10.2 Memorandum of Association and Bye-Laws

The Company's Memorandum of Association and Bye-Laws (adopted on 20 April 2006) (the "Bye-Laws") are further described in Section 15.8 "Certain Provisions of the Company's Bye-Laws, Memorandum of Association and Bermuda law", and are included in the documents on display, cf. Section 19.1 "Documents on Display".

1.10.3 Documents on display

The following documents (or copies thereof) may be inspected at the offices of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda:

- The Memorandum of Association and Bye-Laws of the Company;
- 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 the Offer Document;
- The Company's historical financial information for 2009, 2008 and 2007; and
- The Company's interim financial reports for the first quarter 2010 and 2009.

Historical financial statements for the Company's subsidiary undertakings will not be published in accordance with Bermudian law.

2 RISK FACTORS

2.1 General

Investing in BW Offshore involves inherent risks. Prospective investors should consider, among other things, the risk factors set out in this Offer Document before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Shares. If any of the following risks actually occur, BW Offshore's business, financial position and operating results could be materially and adversely affected.

A prospective investor, including any shareholder in Prosafe Production considering to accept the Exchange Offer, should consider carefully the factors set forth below, and elsewhere in the Offer Document, and should consult his or her own expert advisers as to the suitability of an investment in the Shares.

An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment. Such information is presented as of the date hereof and is subject to change, completion or amendment without notice.

The risk factors described below address the risks connected with an investment in BW Offshore prior to the acquisition of Prosafe Production and risks connected to Prosafe Production wherever stated. In addition, the risks pertaining to Prosafe Production are connected with an investment in BW Offshore. Accordingly, all references to BW Offshore, the BW Offshore Group or Prosafe Production in the risk factors below shall be construed also as references to the combined group, unless the context otherwise requires.

2.2 Risk Factors Relating to the Offer and the Combination

2.2.1 Transaction risks

The Offer is subject to several conditions that need to be satisfied or waived by BW Offshore before completion of the Offer. These conditions relate to (i) BW Offshore becomes the owner of more than 90% of the Prosafe Production shares through the Offer; (ii) governmental and regulatory approval for the Offer; (iii) no intervention impeding on the Offer; (iv) other third party consents or waivers for the Offer; (v) no material adverse change occurring with respect to Prosafe Production or the Prosafe Production shares; (vi) Prosafe Production operating in ordinary course of business and (vii) no issue of shares of equity instruments and no distributions by Prosafe Production.

There can be no assurance that the above conditions will be satisfied or waived by BW Offshore. Should any of the above conditions not be satisfied or waived, BW Offshore will not be required to complete the Offer.

Furthermore, the increased cash component of the Consideration of NOK 5.25 is conditional upon the sale by Prosafe Production of its Turret Business on conditions as announced by Prosafe Production in its stock exchange notices of 22 March 2010 and 30 June 2010 being completed no later than two Norwegian business days prior to expiry of the Offer Period. For further details on the conditions refer to Section 5.5 "Offer Price - Consideration" below. If these are not met, the Consideration will remain at 1.2 BW Offshore shares and NOK 2.00 in cash per Prosafe Production share.

If BW Offshore does not acquire more than 90% of the Prosafe Production shares through the Offer, neither BW Offshore nor the Prosafe Production shareholders may require compulsory acquisition. If BW Offshore becomes the owner of 90% or less of the Prosafe Production shares, the liquidity of the shares can be affected as a result of this Offer, and as such leaving the remaining Prosafe Production shareholders with few exit options.

2.2.2 The benefits of the Combination

The Combination involves the integration of two companies that have previously operated independently. There can be no assurances that the Company will not encounter difficulties in integrating the respective operations of BW Offshore and Prosafe Production or that the benefits expected from the Combination will be realized. If the benefits are not achieved, or only partly achieved, this could adversely affect the Company's business, financial condition, results of operations and prospects.

2.2.3 *Risks relating to Prosafe Production*

There are a number of risks related to the business and operations of Prosafe Production, and its markets and financing. The risks were described in the prospectus issued by Prosafe Production dated 30 May 2008, from which the relevant information on risk factors is incorporated hereto by reference, see Section 19.3 "Incorporation by Reference" and www.prosafeproduction.com. Further, as the Company and Prosafe Production operate in the same market, the risk factors set out below in Section 2.3 "Risk Factors Relating to the Company and the Industry in which it Operates" may also apply to Prosafe Production.

2.3 Risk Factors Relating to the Company and the Industry in which it Operates

2.3.1 *Environmental risks*

The activities of the Company are subject to environmental regulation pursuant to a variety of international conventions and state and municipal 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. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. 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.

The discharge of oil, natural gas or other pollutants into the air or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. 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. Any liability for the Company pursuant to the aforementioned could adversely affect the Company's business, financial condition, results of operations and prospects.

In April 2010, a deepwater Gulf of Mexico drilling rig, Deepwater Horizon, sank after an apparent blowout and fire. Among the possible future consequences of this event are additional regulatory oversight and control with respect to offshore drilling, a potential ban or restriction on oil and gas exploration in certain offshore areas, particularly deepwater drilling, and an increase in insurance premiums for casualty insurance that may be more difficult to obtain. Any such development could reduce demand for FPSO and FSO services in the area, which may e.g. have an effect of the operations of BW Pioneer, which will be the first FPSO of the Company to operate in the US Gulf of Mexico. The events may also have ramifications in foreign exploration areas, which could adversely affect the international operations of the Company as well, although it is impossible to assess them at this time.

2.3.2 *Market risks*

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, but not limited to, 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.

2.3.3 *Competition*

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.

2.3.4 Redeployment risks

The Company's units are generally equipped according to specifications from the customer. 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.

2.3.5 Conversion risks

The Company has from time to time entered into a single contract for the conversion of a tanker into an FPSO to service a specific project. The contract stipulates a date of delivery and a specific price. 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 conversion of the tanker is based on proven methods and technology that has been tested under real operating conditions. The Company is continually seeking to stay on top of new technology 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 on the units. Such modifications or delays, if occurring, could have an adverse impact on the Company's business, financial condition, results of operations and prospects.

2.3.6 Project risks

In line with industry practice, a contract will normally contain clauses which could give the customer 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 they do that the Company is compensated accordingly. The termination rights may not be entirely excluded, however, for example in the event of force majeure. There is a risk that if such termination should occur and the asset is not redeployed within reasonable time, the event could have adverse impact on the Company's business, financial condition, results of operations and prospects.

2.3.7 Sub-contractors

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 and delivery schedules of the Company. The Company has processes to qualify sub-contractors and will investigate their financial health. Regardless of this, the Company could become liable for delays or deficiencies by its sub-contractors 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 sub-contractors could adversely affect the Company's production schedules and reputation, which in turn could adversely affect the Company's business, financial condition, results of operations and prospects.

2.3.8 Access to personnel/resources

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 expand its business and 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.

2.3.9 Geopolitical risks

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 exploration, 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.

2.3.10 Tax risks

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. 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.

2.3.11 Operational risks

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.

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 some 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. Furthermore, some units are working in harsh environments. There are several factors that can contribute to an accident, including, but not limited to, human errors, 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.

2.3.12 Credit risk

Several of BW Offshore's contracts are long-term, and there can be no guarantees that the financial position of the Company's major customers will not materially change during the contracted period. Given the limited number of major customers of the Company and the significant portion they represent of BW Offshore's income, the inability 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.

2.3.13 Purchase options

Certain customers have purchase options attached to the units contracted from BW Offshore. If a customer exercises its right to purchase a unit, the Company will receive the agreed compensation, but will not receive any further revenue from the unit. This may result in decreased revenue and cash flows from having fewer units operating in its fleet. The contracts for Berge Helene, Belokamenka and BW Cidade de São Vicente provide the customers with an option to purchase the units on certain conditions and prices set forth in the contracts. Furthermore, the ownership of the FPSO YÙUM K'AK'NÀAB will be automatically transferred to the customer without further compensation to BW Offshore after the end of the 15 year contract in 2022.

2.3.14 Permits and licenses

Significant parts of the Company's activities require licenses and permits from authorities in the countries in which it operates. 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.

2.3.15 Adequate insurance protection

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. In the event of a casualty to a unit, or a catastrophic event, BW Offshore will rely on its comprehensive insurance programmes structured with a view to offer optimal protections and compensations emanating from both legislative and contractual requirements. The Company may not have sufficient insurance coverage for the entire range of risks to which it is exposed 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. In addition, the loss, or prolonged unavailability, of a unit could have an adverse effect on the Company's business, financial condition, results of operations and prospects even if insurance solutions were effective.

2.3.16 Acts of piracy

Acts of piracy on vessels have recently increased in frequency, which could adversely affect the BW Offshore Group's business. Acts of piracy have historically occurred in areas where the BW Offshore Group 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 the BW Offshore Group 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 the BW Offshore Group's vessels could have a material adverse impact on its business, financial condition and results of operations.

2.3.17 Related party transactions

The Company has entered into agreements with the BW Group and parties related to the BW Group. Although the management of the Company believes that the transactions with the affiliates are on arm's length terms, there can be no assurance that conflicts of interest will not arise in the future. For more information, see Section 15.9 "Related Party Transactions" below.

2.3.18 Exchange rate risk

The Company's business has USD as its primary functional currency. Operating revenue, interest bearing debt and contractual obligations for vessels under construction are mainly denominated in USD. The Company's vessels are also valued in USD if and when traded in the second-hand market. BW Offshore is exposed to expenses incurred in currencies other than USD, such as NOK, SGD and EUR. Fluctuating foreign exchange rates can have an effect on the results of the Company with respect to operating costs as well as costs of conversion projects which could in turn have an adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company has established a hedging policy, using forward contracts and options in order to minimize negative impact caused by exchange rate volatility.

2.4 Risk Factors Relating to the Company's Financing

2.4.1 Financial resources

The Company's cash flow from operations may not be sufficient to fund ongoing activities and implement its business plans. From time to time, the Company may enter into transactions to acquire assets or shares of other companies, or to contract new-buildings. These transactions along with the Company's ongoing operations may be financed partially or wholly with debt, which may increase the Company's debt levels. Depending on future investment plans, the Company may require additional financing, which may not be available or, if available, may not be available on favourable terms. Failure to obtain such financing on a timely basis could cause the Company to forfeit or forego opportunities. Failure to obtain financing on attractive terms may result in increased financing costs and could adversely affect the Company's business, financial condition, results of operations and prospects.

The primary focus of BW Offshore'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 economic conditions. To maintain or adjust the capital structure, BW Offshore may adjust dividend payments to its shareholders, return capital to shareholders or issue new Shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

The turmoil in the financial markets through 2008 and 2009 has increased the risk associated with funding of BW Offshore's business. Although the Company expects the current funding strategy of the Company to be sufficient, there is always a risk associated with any transaction. Banks and financial institutions are in general more restrictive on new engagements and loans, which also might reduce the Company's ability to raise funding at similar terms. This can reduce size and increase the costs for funds available to the Company. Although not planned for under this transaction, the market conditions can also have a negative effect on the Company's ability to raise equity. Difficulties in raising funding could adversely affect the Company's business, financial condition, results of operations and prospects.

2.4.2 Interest rate risk

BW Offshore has in place a revolving credit facility of USD 1,500 million of which USD 850 million has been drawn down (performance bonds not included) at the date of this Offer Document. The Company pays interest on the loan based on a three months LIBOR interest rate renewed every third month. An increase in the USD interest rate may have an adverse effect on the Company's business, financial condition, results of operations and prospects. The Company is continuously evaluating whether to hedge some of the interest exposure by using forward contracts to fix the interest on part of the loan and for a certain period of time.

BW Offshore currently holds interest derivatives of USD 800 million in total. A collar of USD 200 million was entered into in August 2007 (LIBOR floor rate of 4.23% and LIBOR cap rate of 5.5% with maturity third quarter 2012). In April 2008, the Company entered into an interest swap of USD 300 million (LIBOR 3.425% with maturity second quarter 2013) and an interest swap of USD 200 million (LIBOR 3.740% with maturity second quarter 2013). In May 2010, the Company entered into an interest rate swap of USD 100 million (LIBOR 3.185% with maturity second quarter 2018).

2.4.3 Liquidity risk

The Company must successfully manage its liquidity and obtain the necessary financing to fund the expected growth. A limited liquidity position may have an adverse impact on the future growth potential of the Company. To minimise this risk, BW Offshore places its free liquidity in bank deposits or uses the free liquidity to reduce the drawn amount under its revolving credit facility. BW Offshore has secured long term financing with maturity second quarter 2013, as well as a bridging credit facility related to the Offer with maturity November 2011, and will in due time secure refinancing of the existing revolving credit facility in order to mitigate any risks of limited future re-financing opportunities. If the Company should experience difficulties in this respect, this could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

2.4.4 Financing from BW Group

The Company's main credit facility agreement of USD 1.5 billion has been entered into with BW Group, the ultimate parent company of BW Offshore. Further, and in connection with the Offer, the Company has established a new bridging credit facility of USD 1.1 billion with BW Group, with expiry in November 2011. The USD 1.5 billion credit facility agreement and the USD 1.1 billion credit facility agreement include financial covenants and restrict the Company's ability to obtain external financing and/or provide security for any financing, thereby increasing BW Offshore's dependence on BW Group. The Company is also dependent on the financial status of BW Group and its subsidiaries through the credit facility agreement which contains cross-default clauses related to defaults by BW Group or any of its subsidiaries on any financing exceeding an aggregate amount of USD 50 million. In such situation, both credit facility agreements could be accelerated or cancelled. In addition, if BW Group ceases to hold an ownership interest in BW Offshore of at least 29%, the credit facility agreement and the bridging credit facility must be repaid and are cancelled in full. This could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

See also Section 2.5.3 "Control by BW Group" below.

2.5 Risk Factors Relating to the Shares

2.5.1 Price volatility of publicly traded securities

The market price of the Shares could be subject to fluctuations in response to factors such as actual or anticipated variations in the Company's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In addition, international financial markets have from time to time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the trading market for, and the liquidity of, the Shares may be adversely affected by general declines in the market or by declines in the market for similar securities.

2.5.2 Potential dilution of shareholders

The Company may require additional capital in the future in connection with financing of new capital-intensive projects. In addition, the Company may incur unanticipated liabilities or expenses. There can be no assurance that BW Offshore will be able to obtain necessary financing in a timely manner on acceptable terms. Where the Company issues Shares in the future, such issuance may result in the then existing shareholders of BW Offshore sustaining dilution to their relative proportion of the equity of BW Offshore.

2.5.3 Control by BW Group

Prior to the Combination, BW Group owns approximately 66.95% of the Company's outstanding Shares. As such, BW Group controls the majority of BW Offshore's Shares and effectively controls the outcome of matters on which the Company's shareholders are entitled to vote. The interests of BW Group may differ from those of the Company's other shareholders, for example with respect to dividend policy.

Upon completion of the Combination, the holdings of BW Group in the Company will be diluted by up to 20.0 percentage points to holding 47.0% of the Shares, assuming that all Prosafe Production shareholders accept the Exchange Offer. This implies that BW Group could under certain circumstances continue to exercise control over the outcome of matters on which the Company's shareholders are entitled to vote, depending on the acceptance level in the Exchange Offer and the attendance in future general meetings in BW Offshore.

See also Section 2.4.4 "Financing from BW Group" above.

2.5.4 Restrictions for equity offerings under securities laws in certain jurisdictions

The securities laws of certain jurisdictions may restrict the Company's ability to allow shareholders to participate in offerings of the Company's securities. Accordingly, shareholders with registered addresses, or who are resident or located, in certain jurisdictions will not be eligible to exercise subscription rights as part of rights offerings, in which case the subscription rights may lapse without compensation. As a result, shareholders with registered addresses or who are resident or located in such jurisdictions will experience substantial dilution of their ownership and voting interests in the Company's share capital.

In addition, the Company may in the future offer, from time to time, a stock dividend election to its shareholders, subject to applicable securities laws, in respect of future dividends. However, the Company may not permit shareholders with registered addresses or who are resident or located in certain restricted jurisdictions to exercise this election. Accordingly, shareholders in these restricted jurisdictions may be unable to receive dividends in the form of shares rather than cash and, as a result, may experience further dilution.

2.5.5 Restrictions for transfer of Shares under securities laws in certain jurisdictions

The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions. The Company has not registered the Shares under the U.S. Securities Act or the securities laws of jurisdictions other than Norway and the Company does not expect to do so in the future. The Shares may not be offered or sold in the United States nor may they be offered or sold in any other jurisdiction in which the registration of the Shares is required but has not taken place, unless an exemption from the applicable registration requirement is available or the offer or sale of the Shares occurs in connection with a transaction that is not subject to these provisions. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or receive subscription rights.

2.5.6 Holders of Shares registered in a nominee account

Beneficial owners of Shares that are registered in a nominee account (e.g. 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 the Company's general meetings. The Company cannot guarantee that beneficial owners of the Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote on their Shares in the manner desired by such beneficial owners.

2.5.7 Enforcement of civil liabilities

BW Offshore is an exempted company organised under the laws of Bermuda. The rights of holders of BW Offshore Shares are governed by Bermuda law and by the Memorandum of Association and the Bye-Laws of BW Offshore. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. As a result, it may, *inter alia,* be difficult for investors to effect service of process on BW Offshore or the members of BW Offshore's Board of Directors in the shareholder's own jurisdiction, or to enforce against them judgments obtained in non-Bermuda courts. It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions against BW Offshore or the members of its Board of Directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against BW Offshore or the members of its Board of Directors or officers under the laws of other jurisdictions.

All of the members of the Company's Board of Directors and management reside outside the United States. All or a significant portion of the assets of these individuals are located outside the United States. Similarly, a substantial portion of the Company's assets is located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States upon the Company, its affiliates or the members of the Board of Directors and management, or to enforce judgments obtained in the United States against such parties, including judgments based on the civil liability provisions of the U.S. federal securities laws.

The Bye-Laws of BW Offshore contain a broad waiver by the Company's shareholders of any claim or right of action, both individually and on the Company's behalf, against any of the members of the Board of Directors or management. The waiver applies to any action taken by a member of the Board of Directors or management, or the failure of a member of the Board of Directors or management 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 member of the Board of Directors or management. This waiver limits the right of shareholders to assert claims against the members of the Board of Directors and management unless the act or failure to act involves fraud or dishonesty.

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

BW Offshore'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 of BW Offshore. These provisions provide for:

- members of the Board of Directors only to be removed for cause;
- restrictions on the time period in which the members of the Board of Directors may be nominated; and
- the Board of Directors to determine the powers, preferences and rights of BW Offshore's preference Shares and to issue the preference Shares without shareholder approval.

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.

3 RESPONSIBILITY FOR THE OFFER DOCUMENT

This Offer Document has been prepared in connection with the voluntary exchange offer made by BW Offshore to acquire all the shares in Prosafe Production not currently owned by BW Offshore, and the offer and listing of the Consideration Shares to be issued by BW Offshore to the shareholders of Prosafe Production accepting the Offer in combination with payment of cash.

The Board of Directors of BW Offshore hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offer Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

27 July 2010

The Board of Directors of BW Offshore Limited

Dr. Helmut Sohmen
Chairman

Christophe Pettenati-Auzière
Deputy Chairman

Andreas Sohmen-Pao
Director

René Huck
Director

David Gairns
Director

Kathie Child-Villiers
Director

Maarten R Scholten
Director

4 RESTRICTIONS AND CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

4.1 Restrictions

The distribution of this Offer Document, any separate summary documentation regarding the Exchange Offer and the making of the Offer may be restricted by law in certain jurisdictions and neither this document nor any such summary, nor the Exchange Offer discussed herein or therein, constitutes an offer to sell or the solicitation of an offer to buy securities in any jurisdiction in which such an offer or solicitation would be unlawful. The Offer is not being made in or into Australia, Canada, Japan, South Africa or, subject to the exceptions discussed below, the United States, and will not be permitted to be accepted in or from these jurisdictions.

United States

The Consideration Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or under any of the relevant securities laws of any state or other jurisdiction of the United States. Neither the U.S. Securities and Exchange Commission ("SEC") nor any U.S. states securities commission has approved of the Consideration Shares or determined if this document is accurate or complete.

In the United States, the Exchange Offer is only being made and the Consideration Shares are only being offered to Prosafe Production shareholders who are "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act in transactions not involving any public offering within the meaning of the U.S. Securities Act. Accordingly, the Exchange Offer is only open for acceptance in the United States to Prosafe Production shareholders who are "qualified institutional buyers" and no offer or solicitation for an offer is made to any other person in the United States. Any person (including nominees, trustees and custodians) who would, or otherwise intends to, forward this document or any related documents to the United States or to any "U.S. person" as defined in Regulation S under the U.S. Securities Act may only do so if such person knows that the recipient is a "qualified institutional buyer." U.S. persons accepting the Offer will in addition to the Acceptance Form be required to execute the U.S. Offeree Representation Letter. See Section 5.9 "Acceptance of the Offer."

The Company may treat as invalid any purported acceptance of the Exchange Offer that appears to the Company or any of its agents to have been executed in or despatched from the United States by a person which has not executed a U.S. Offeree Representation Letter, or which otherwise is considered by the Company or its agents, in their absolute discretion, to have been made by a person in the United States or by a U.S. person under circumstances where an exemption from the registration requirements of the U.S. Securities Act is not available.

The Offer is for the shares of a Cypriot company with consideration in the form of cash and shares in a Bermudian company. The shares of both companies are listed for trading on Oslo Børs and the Exchange Offer is governed by provisions of Norwegian law. Matters of a legal nature related to the offer procedure, the content of this Offer Document and the publication of the Offer are subject to Norwegian law. All matters of a legal nature related to company law issues as well as certain securities law issues, including matters concerning the thresholds at which mandatory bid obligations are triggered, possible exemptions and exceptions from the obligation to present a mandatory bid, are subject to Cypriot law as Prosafe Production is a Cypriot company.

The provisions of Cypriot, Bermudian and Norwegian law differ considerably from the corresponding United States legal provisions. Only a limited set of United States legal provisions apply to the Offer and this Offer Document. The applicable procedural and disclosure requirements of Norwegian law are different than those of the U.S. securities laws in certain material respects. The timing of payments, withdrawal rights, settlement procedures, and other timing and procedural matters of the Offer are consistent with Norwegian practice, which differs from U.S. domestic tender offer procedures. In accordance with U.S. federal securities laws, the Offer will remain open for at least 20 U.S. business days. To the extent the Offer is made in the United States, this is done pursuant to the applicable provisions of Section 14(e) and Regulation 14E under the U.S. Securities Exchange Act of 1934, as amended, but otherwise only in accordance with the requirements of Norwegian law and practice, as well as Cypriot law, as applicable.

Pursuant to an exemption provided from Rule 14e-5 under the U.S. Securities Exchange Act of 1934, as amended, the Company may acquire, or make arrangements to acquire, Prosafe Production shares, other than pursuant to the Offer, on or off Oslo Børs or otherwise outside the United States during the period in which the

Offer remains open for acceptance, so long as those acquisitions or arrangements comply with applicable Norwegian law and practice and the provisions of such exemption.

It may be difficult for U.S. shareholders to enforce their rights and any claim they may have arising under the federal securities laws, since the issuer is located outside the United States, and some or all of its officers may be residents of a foreign country. U.S. shareholders may not be able to sue the Company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult for U.S. shareholders to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgement.

United Kingdom

This Offer Document is being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (iii) are persons falling within Article 43 (Members and creditors of bodies corporate) of the Order (all such persons together being referred to as "relevant persons"). This Offer Document is directed only at investment or investment activity to which this Offer Document relates is available only to relevant persons and will be engaged in only with relevant persons.

4.2 Cautionary Note Regarding Forward-Looking Statements

This Offer Document includes "forward-looking" statements, including, without limitation, projections and expectations regarding the Company's future financial position, business strategy, plans and objectives. When used in this document, the words "anticipate", "believe", "estimate", "expect", "seek to", "may", "plan" and similar expressions, as they relate to the Company, its subsidiaries or its management, the markets in which it operates or the Combination, are intended to identify forward-looking statements. No forward-looking statements contained herein should be relied upon as predictions of future events. No assurance can be given that the expectations expressed in these forward-looking statements will prove to be correct. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment and markets in which the Company and its subsidiaries will operate. Factors that could cause the Company's actual results, performance or achievements to materially differ from those in the forward-looking statements include, but are not limited to:

- the competitive nature of the markets in which the Company operates;
- global and regional economic conditions;
- technological developments;
- government regulations;
- changes in political events; and
- force majeure events.

Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements in Section 2 "Risk Factors" of this Offer Document.

These forward-looking statements reflect only the Company's views and assessment, and are based on information available to the Company, as of the date of this Offer Document. Except to the extent required by law or the rules of Oslo Børs, the Company expressly disclaims any obligation or undertaking to release any updates or revisions of the forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

5 THE OFFER

5.1 The Voluntary Exchange Offer

BW Offshore hereby offers to acquire all issued and outstanding shares in Prosafe Production not already owned by BW Offshore or owned by persons in or from jurisdictions where making of the Offer is unlawful, in exchange for a Consideration consisting of 1.2 Shares in BW Offshore to be issued to the accepting Prosafe Production shareholders and NOK 2.00 in cash per share in Prosafe Production, on the terms set out in this Offer Document. However, if Prosafe Production completes the sale of its Turret Business for a minimum of USD 165 million and on conditions as announced by Prosafe Production in its stock exchange notice of 22 March 2010, save for the expected timing, which was announced extended dealt with in the stock exchange notice of 30 June 2010, no later than two Norwegian business days prior to expiry of the Offer Period, the Consideration shall be 1.2 Shares in BW Offshore and NOK 5.25 in cash per share in Prosafe Production. The conditions related to the higher consideration are further detailed in Section 5.5 "Offer Price – Consideration" below.

As of the date of this Offer Document, the Company owned 60,932,990 shares in Prosafe Production, corresponding to 23.88% of the total number of shares in the company. In addition, BW Euroholdings Limited, a wholly owned subsidiary of BW Group, owned 6.01% of the total number of shares in Prosafe Production as of the date of this Offer Document.

If all the Prosafe Production shareholders accept the Exchange Offer, 233,122,529 Consideration Shares will be issued and NOK 388.5 million in cash will be paid to the Prosafe Production shareholders. If Prosafe Production completes the sale of its Turret Business under the conditions outlined above, total cash consideration to the Prosafe Production shareholders will be NOK 1,019.9 million if all shareholders accept the Offer.

5.2 The Offeror

The Exchange Offer is made by BW Offshore, with registered office Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's registration number is 36937. BW Offshore is an exempted limited liability company incorporated and governed by the laws of Bermuda.

BW Offshore is an international oil services company focused on the market for Floating Production Storage and Offloading (FSPO) and related technologies. The Company is listed on Oslo Børs under the ticker code "BWO". Further information about the Company and its Shares is provided in Sections 11 "Presentation of BW Offshore" and 15 "Share Capital and Shareholder Matters", respectively.

As of the date of this Offer Document, BW Offshore owned in total 60,932,990 shares in Prosafe Production, corresponding to 23.88% of the total number of shares in Prosafe Production as of the date of this Offer Document as follows:

- BW Offshore Cyprus Limited, a wholly owned subsidiary of BW Offshore, owns 55,932,990 shares in Prosafe Production, corresponding to approximately 21.92% of the total number of shares in Prosafe Production; and
- BW LPG FPSO I LTD, a wholly owned subsidiary of BW Offshore, owns 5,000,000 shares in Prosafe Production, corresponding to approximately 1.96% of the total number of shares in Prosafe Production.

In addition, BW Euroholdings Limited, a wholly owned subsidiary of BW Group (the largest shareholder in BW Offshore), owned 15,332,280 shares in Prosafe Production, corresponding to 6.01% of the total number of shares in Prosafe Production as of the date of this Offer Document. BW Euroholdings Limited is a close associate of BW Offshore pursuant to Section 2-5 of the Norwegian Securities Trading Act. No other close associates of BW Offshore owned shares in Prosafe Production as of the date of this Offer Document. Further, no shareholder agreements exist in BW Offshore or its close associates.

Neither BW Offshore nor its close associates have any options, convertible loans or similar rights to acquire additional shares in Prosafe Production.

5.3 The Target Company – Prosafe Production

Prosafe Production is a limited liability company registered under the laws of Cyprus with company registration number 213521. The registered office of Prosafe Production is at City House, 3rd floor, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus, while its operational headquarters are in Singapore. Prosafe Production has a share capital of USD 25,520,176.40, divided into 255,201,764 shares, each with a par value of USD 0.10. The company's shares are registered in the VPS under ISIN CY0100610910 and are listed on Oslo Børs under the ticker code "PROD".

Prosafe Production is a leading owner and operator of FPSOs. The company has 25 years of operational experience from several of the world's largest oil and gas provinces. Prosafe Production operates globally and employs approximately 1,000 employees from more than 40 countries.

Prosafe Production was incorporated on 27 November 2007. The company is a spin-off from Prosafe SE, a public listed company on Oslo Børs since 1997. In April 2008, Prosafe SE resolved to spin-off the floating production business in order to allow the management of the two companies to further increase their focus on the respective specialized areas of operation. Prosafe Production acquired all of the shares in the floating production companies, including 22 companies that were owned by Prosafe SE. The transfer of these companies took place in the period from 8 April 2008 to 9 May 2008.

5.4 Background and Reasons for the Offer

BW Offshore sees a strong rationale for consolidation in the FPSO sector. An increasingly visible separation between the large players and the small players is expected. Increasing requirements from clients in terms of technical competence, scope and investments per unit has been the trend in recent years. During 2009, the well established FPSO companies strengthened their market position. New entrants in the FPSO industry have more or less disappeared from the competitive arena and many will have to concentrate on consolidating their position in the years to come. Smaller players are expected to be increasingly marginalised and find it difficult to obtain financing for new projects.

Over the few years up to 2008, returns came under pressure due to several factors affecting the FPSO sector. An increased number of players were competing for the available contracts, resulting in low day rates and a significant shift in contractual risk between client and contractor. The total world demand from shipbuilding and the general construction business resulted in significant cost escalation for important resources such as shipyard capacity, key equipment and personnel. These factors have significantly changed again in the aftermath of the economic turmoil in 2008/09. Competition is today reduced and suppliers are seeing much lower activity levels. On the whole, this is expected to improve the position of the strong FPSO players and reduce the downward pressure on returns.

Average cost and complexity of projects have increased significantly over the last years. The advantages of having a presence in the various markets targeted by the sector favours larger players who can achieve economies of scale. A significant competitive differentiator going forward will be the ability to ensure redeployment of existing assets. Larger players are likely to be more able to manage redeployment as they have a larger and more diversified fleet and greater market presence.

Increasing tender costs and requirements for local content and local partners, compliance with local requirements and increasingly complex standards and requirements, are expected to demand competence and training of staff beyond the capabilities of smaller players. Economies of scale in tendering work will be a significant competitive differentiator. Larger players are expected to have more efficient access to financing, which is expected to be a critical factor in the future.

BW Offshore is of the opinion that a combination with Prosafe Production will create a player with the diversification, presence, financial scale and competence to play an even more significant role in the FPSO space than BW Offshore and Prosafe Production can do on their own. Longer term, this has the potential to enhance value for both groups of shareholders.

5.5 Offer Price – Consideration

The Consideration in the Offer consists of 1.2 Shares in BW Offshore and NOK 2.00 in cash per share in Prosafe Production. On basis of the closing share price of the Company as of 18 June 2010 of NOK 9.13, the last trading day before the announcement, the implied offer price of the Consideration is NOK 12.96 for each Prosafe Production share. The rights of the Consideration Shares will in all respects be equal to those of the existing Shares from the time of issue and registration of the Consideration Shares in the VPS. No interest will be paid on the Consideration to tendering shareholders in the Offer.

The Consideration has been determined on the basis of an overall evaluation, including consideration of the valuation of BW Offshore and Prosafe Production in the equity market, the two companies' historic and expected earnings and future market prospects and a comparison of these factors with the equity market valuation of comparable companies, a careful assessment of the asset values of each company, executed customer contracts, including duration thereof, and options, contractual coverage and positioning in the relevant markets, tax positions, the organisations of the two companies, possible synergies, and BW Offshore's business goals and strategic gain.

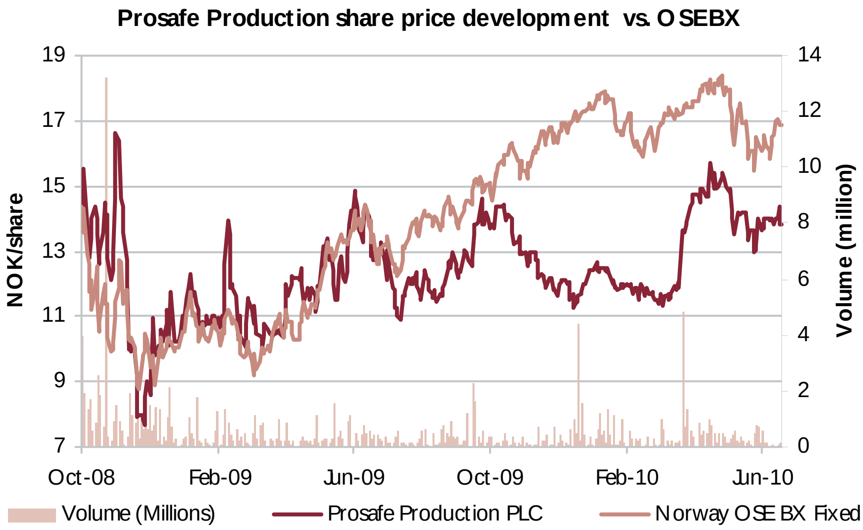
In the event Prosafe Production pays out any dividend or other distribution to its shareholders, and the condition relating to such distributions set out in Section 5.10 "Conditions for Completion of the Offer" below is waived and the Offer completed, the Consideration will be reduced by the amount distributed per Prosafe Production share by adjusting the cash component of the Consideration. In case of either a split or a reverse split of the Prosafe Production shares, both the share and the cash element of the Consideration shall be adjusted accordingly, provided, however, that any entitlement to a fraction of a Consideration Share will be rounded down to the nearest whole share.

The Consideration represents a discount of 6.5% compared to the closing share price of Prosafe Production on 18 June 2010, the last trading day prior to the Company's public announcement of the Offer, and a discount of 4.9% compared to the six months volume weighted average price on Oslo Børs for the period ending on 18 June 2010. The Offer further represents a premium of 7.0% to the three months volume weighted average share price of Prosafe Production for the period ending on 19 March 2010, one trading day prior to Prosafe Production's announcement of the letter of intent for the sale of its Turret Business.

If Prosafe Production completes, announces and documents the sale of its Turret Business for a minimum of USD 165 million plus a deferred payment corresponding to 10% of the Turret Business' third-party sales for a period of seven years, as announced by Prosafe Production in its stock exchange notices of 22 March 2010 and 30 June 2010, no later than two Norwegian business days prior to expiry of the Offer Period, the Consideration shall be 1.2 Shares in BW Offshore and NOK 5.25 in cash per share in Prosafe Production. This higher Consideration is further subject to the consideration received by Prosafe Production for the Turret Business not being subject to other post completion adjustments (save for customary closing balance sheet adjustments and indemnities relating to warranty claims in connection with past performance), and there being no material obligations for Prosafe Production (including, inter alia, in regard to the future performance of the Turret Business or agreeing to make minimum future purchase of equipment or other purchases from the purchaser, National Oilwell Varco, or any company related thereto or any other form of commitment or undertaking or limitations on Prosafe Production's future business) relating to the sale of the Turret Business or otherwise which are not disclosed in stock exchange notices of 22 March 2010 and 30 June 2010. If Prosafe Production, no later than two Norwegian business days prior to expiry of the Offer Period, publicly announces that the above conditions have been met and no later than two Norwegian business days prior to expiry of the Offer Period documents the same to BW Offshore in a manner satisfactory to BW Offshore, then the Consideration shall be 1.2 Shares in BW Offshore and NOK 5.25 in cash per share in Prosafe Production. The entering into a binding agreement is not sufficient to fulfil the condition; the sale will need to be completed pursuant to the terms of such agreement. In the event the sale is not completed by this deadline, the Consideration will remain at 1.2 Shares in BW Offshore and NOK 2.00 in cash per share in Prosafe Production.

If the sale of the Turret Business is completed within the time limit as set out above, the Consideration will represent a premium of 17.0% compared to the closing share price of Prosafe Production on 18 June 2010, the last trading day prior to the Company's public announcement of the Offer, and a premium of 19.7% compared to the six months volume weighted average price on Oslo Børs for the period ending on 18 June 2010. The Offer will further represent a premium of 34.0% to the three months volume weighted average share price of Prosafe Production for the period ending on 19 March 2010, one trading day prior to Prosafe Production's announcement of the letter of intent for the sale of its Turret Business.

The table below shows the development in price and traded volume for Prosafe Production shares in the period from 1 October 2008 until 18 June 2010, relative to Oslo Børs benchmark index (OSEBX):



5.6 Financing of the Offer

The cash consideration of the Offer will be financed by BW Offshore from available credit facilities. In connection with the Offer, BW Offshore has established a new bridging credit facility of USD 1.1 billion from BW Group on competitive terms, with expiry in November 2011. The new credit facility of USD 1.1 billion and available capacity from the existing credit facility of USD 1.5 billion will be sufficient to finance the entire cash consideration under the Offer and also refinance Prosafe Production's existing credit facilities, while also preserving capacity for growth for the combined company going forward. The Consideration Shares in the Offer will be issued through an increase in the authorised capital by USD 2,331,225.29 by the creation of an additional 233,122,529 shares ranking pari passu with the existing Shares of the Company, see Section 5.12 "The Consideration Shares" below. BW Offshore will not issue any shares as a consequence of the transaction other than the Consideration Shares to be issued to Prosafe Production shareholders under the Offer. The Offer is not subject to any financing condition.

5.7 Contact with Prosafe Production Prior to Release of the Offer

There have been no negotiations between BW Offshore and Prosafe Production with respect to the Offer. Representatives of BW Offshore and Prosafe Production (and previously Prosafe SE) have, however, on occasions in the past discussed a potential combination of the two companies without this leading to any specific results.

Neither the Company nor any of its close associates has acquired shares in Prosafe Production after BW Euroholdings Limited on 23 October 2008 acquired 12,500,000 shares.

No payments or advantages of any kind have been or will be offered by BW Offshore to the management and/or the board of directors of Prosafe Production or any of its subsidiaries in connection with the Offer (other than payment of the Consideration, if they are shareholders and accept the Offer in their capacity as shareholders in accordance with this Offer Document).

The Company has not obtained any pre-acceptances of the Offer from any of the shareholders in Prosafe Production or members of the board of directors of Prosafe Production.

5.8 Offer Period

The Prosafe Production shareholders may accept the Offer in the period from and including 29 July 2010 to 25 August 2010 at 17:30 hours (CET).

The Company may extend the Offer Period one or more times, however, not beyond 6 October 2010 at 17:30 hours (CET). Any such extension will be part of the Offer Period. Any extensions of the Offer Period will be announced no later than 09:00 hours (CET) on the Business Day following the expiration of the previously announced Offer Period, in which case the Offer Period shall be deemed not to have been expired on the preceding Business Day. Such announcement shall be made in accordance with Section 5.14 "Announcements" below. If the Offer Period is extended, the other dates referred to herein may be changed accordingly and any received Acceptance Forms will remain binding and irrevocable for the length of the extension.

5.9 Acceptance of the Offer

Acceptance of the Offer is made by completing and signing the Acceptance Form, attached as Appendix 1 hereto, and in the Norwegian language in Appendix 2, and returning it to Carnegie as set out below. Prior to accepting the Offer, the shareholders in Prosafe Production should carefully consider the risk factors set out in Section 2 "Risk Factors".

Shareholders who would like to accept the Offer must procure that the Acceptance Form is received by Carnegie prior to the expiry of the Offer Period.

Acceptance of the Offer is irrevocable from the time the Acceptance Form has been received by Carnegie, and may not be withdrawn, in whole or in part, neither before nor after the expiration of the Offer Period, including any extension thereof. Acceptances may not be made conditional.

Any shareholder whose Prosafe Production shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if the shareholder would like to accept to sell such Prosafe Production shares to BW Offshore.

Upon acceptance, the tendered Prosafe Production shares on the accepting shareholder's VPS account will be blocked in favour of Carnegie. Accordingly, no transactions relating to such Prosafe Production shares are permitted after acceptance. In the event that parties other than the shareholder hold rights in respect of the relevant Prosafe Production shares, such rights holder must also sign the Acceptance Form. The acceptance further implies that the VPS, on instruction from Carnegie upon settlement, will transfer the shares in Prosafe Production to Carnegie and that the VPS in the same transaction, or as soon as possible thereafter, will provide for payment of the Consideration by the Company once the Consideration Shares are issued. The transfer of the shares in Prosafe Production and the payment of the Consideration are expected to be carried out simultaneously, but the payment may be carried out as soon as possible after the transfer of the shares in Prosafe Production if such simultaneous transactions should prove not to be possible.

An acceptance will comprise all of the shareholder's shares in Prosafe Production on the VPS account covered by the acceptance. If the shareholder owns shares at more than one VPS account, separate Acceptance Forms must be submitted in respect of each VPS account. However, with respect to such shares registered on VPS accounts in the name of a broker, dealer, commercial bank, trust company or other nominee, the acceptance will solely comprise the designated shares in Prosafe Production on such VPS account that the Offer in fact have been accepted for by the shareholder, and not other shares in Prosafe Production registered on the same VPS account not accepting the Offer. The acceptance also includes any shares which are acquired or will be acquired and which are credited to the above VPS account until the shares are debited from the acceptant's VPS account and transferred to an escrow account in the name of Carnegie, save for Prosafe Production shares on VPS accounts in the name of a broker, dealer, commercial bank, trust company or other nominee owned by a shareholder in Prosafe Production not accepting the Offer.

A Prosafe Production shareholder tendering into the Offer will freely be able to manage any other securities owned by such shareholder that are registered on the same VPS account as the Prosafe Production shares comprised by the acceptance.

Prosafe Production shareholders who accept the Offer will maintain, to the extent permitted under applicable law, their rights as shareholders, including voting rights, until completion of the Offer.

The Company reserves the right to reject any or all acceptances of the Offer that, in the Company's opinion, are not in the proper form, or which may be unlawful. The Company also reserves the right to treat an acceptance as valid, in whole or in part, even though it is not entirely in order or not accompanied by required document(s) or which is not received at the place stated below. However, the Company will ensure due compliance with the duty to treat shareholders equally under Section 6-10 (9) of the Norwegian Securities Trading Act when exercising its discretion pursuant to the foregoing. Neither BW Offshore, the Financial Advisers nor any other person will be under any duty to give notification of any defects or irregularities in the acceptance or incur any liability for failure to give any such information.

The Acceptance Form, duly completed and signed, must be sent by mail or fax or delivered by hand to:

Carnegie ASA
Stranden 1, Aker Brygge
P.O.Box 684 Sentrum
0106 Oslo
Norway
www.carnegie.no
Telephone: +47 22 00 93 20
Facsimile: +47 22 00 99 60

Any U.S. person or a person within the United States wishing to accept the Offer must together with the Acceptance Form submit a duly executed U.S. Offeree Representation Letter. Any person who submits the Acceptance Form without a U.S. Offeree Representation Letter will be deemed to have represented and warranted to BW Offshore and the Financial Advisers that (a) it is not a U.S. person, (b) it is accepting the Exchange Offer in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act and in compliance with such regulation and (c) it is not accepting the Exchange Offer from within Canada, Australia, Japan or South Africa or any other jurisdiction in which it may not lawfully do so.

5.10 Conditions for Completion of the Offer

The completion of the Offer is subject to the following conditions, each of which may be waived in whole or in part by the Company at its sole discretion:

(i) Minimum acceptance of more than 90%. The Offer shall prior to the expiry of the Offer Period have been accepted by Prosafe Production shareholders for the number of Prosafe Production shares required in order for the Company to obtain a shareholding (including the Prosafe Production shares already owned by the Company and any additional Prosafe Production shares acquired by the Company outside the Offer) of more than 90% of the shares and votes in Prosafe Production on a fully diluted basis.

(ii) Governmental and regulatory approvals. Any governmental, regulatory or other official approval and/or clearance under applicable laws necessary for the consummation of the Offer, including but not limited to applicable competition laws, shall have been duly obtained without any conditions or on conditions that are acceptable to the Company in its sole discretion.

(iii) No intervention. No national or international authority or court of law shall have taken any form of legal action (whether temporary, preliminary or permanent) that restrains or prohibits the consummation of the Offer or the Combination, and no conditions shall have been imposed by any national or international authority or court of law in connection with the Offer or the Combination that the Company, at its sole discretion, determines to be unduly burdensome.

(iv) Third party consents or waivers. BW Offshore and Prosafe Production and its subsidiaries shall have received any consents or waivers (if any) from contract parties of Prosafe Production or its subsidiaries necessary for the completion of the Offer, including, without limitation, such consents or waivers as may be required from Prosafe Production's and/or its subsidiaries' lenders, without any adverse effects for the Company, Prosafe Production or its subsidiaries.

(v) No material adverse change. Prior to completion of the Offer there shall have been no change, event, effect or condition (which shall result not only from events occurring after the date hereof but also as a result of, separately or in combination with, any previously undisclosed circumstances) that has or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, assets, liabilities, condition (financial or otherwise), results, research and development, intellectual property protection or operation of Prosafe Production or any of its subsidiaries, including a material depletion of cash on hand, the incurring or commitment to incur any material indebtedness, or the making or the commitment to make a material expenditure of capital.

(vi) Ordinary conduct of business. Prosafe Production and its subsidiaries, shall from the announcement of the Offer have conducted their business only in the ordinary course and in all material respects in accordance with applicable laws, regulations and decisions of any governmental body, and have not entered into any material contracts, commitments or undertakings, including, without limitation, directly or indirectly committed to any material projects in respect of purchase, production, conversion or leasing of vessels, or otherwise changed in any material respect the manner in which they currently conduct their business or operations, provided, however, that the foregoing shall not extend to the completion of the sale of Prosafe Production's Turret Business on conditions as announced in Prosafe Production's stock exchange notifications of 22 March 2010 and 30 June 2010 so long as no significant undertakings are entered into by Prosafe Production that impact its future obligations and flexibility including, inter alia, undertakings in regard to the future performance of the Turret Business or agreeing to make minimum future equipment or other purchases from the purchaser or any party related thereto or any other form of commitment or undertaking or limitations on Prosafe Production's future business.

(vii) No issue of shares or equity instruments and no distributions. There shall have been no changes or decisions to make changes to the share capital of Prosafe Production or its subsidiaries, and no issue or decision to issue any rights which entitle the holder to any form of equity interest in Prosafe Production or its subsidiaries, and Prosafe Production shall not have declared or made any dividends or other forms of distributions, in each case from the date of announcement of the Offer.

The Offer will lapse on 22 October 2010 if the above conditions have not been satisfied or waived by the Company prior to such date. The lapse of the Offer, and any waivers of the conditions to the Offer, will be announced through Oslo Børs' information system on Prosafe Production's ticker code ("PROD") and on BW Offshore's ticker code ("BWO") in accordance with the procedure described in Section 5.14 "Announcements" below. For further information regarding governmental and regulatory approvals, see Section 5.17 "Consequences of the Offer".

5.11 Settlement

The result of the Offer is expected to be published on or about 26 August 2010 in the form of a stock exchange notification in accordance with Section 5.14 "Announcements" below.

Transfer of the Prosafe Production shares to BW Offshore and the payment and delivery of the Consideration as settlement of the Offer will be made as soon as possible after the expiry of the Offer Period and no later than 14 days after the satisfaction or waiver of the conditions to the Offer. Upon settlement, payment and delivery of the Consideration by the Company will be provided to the VPS account and registered bank account in the VPS of the accepting shareholder.

The Offer will lapse on 22 October 2010 if the above conditions have not been satisfied or waived by the Company prior to such date. Accordingly, the latest day on which settlement of the Offer may occur is 5 November 2010.

5.12 The Consideration Shares

5.12.1 Share issue by BW Offshore

The Company intends to convene a general meeting of the shareholders of BW Offshore in order to resolve to increase the authorised capital of the Company to USD 7,331,225.29 by the creation of an additional 233,122,529 shares ranking pari passu with the existing Shares of the Company. Following receipt of shareholder approval to create these additional shares, the Board will consider proposals to increase the authorised capital to USD 7,331,225.29 by the creation of an additional 233,122,529 shares ranking pari passu with the existing Shares of the Company and to allot the Consideration Shares to be issued as fully paid shares in the name of the Company's VPS registrar DnB NOR Bank ASA (the "Registrar") upon the completion of the Offer. In the event the Offer completes, and upon completion of the foregoing, the Consideration Shares will be issued to the Registrar on behalf of the Prosafe Production shareholders accepting the Offer. The actual subscription price will depend on the market price of the Shares of BW Offshore on the date of completion and is paid by the tendering shareholders through transferring the ownership of the Prosafe Production shares to BW Offshore.

The Consideration Shares will be common Shares in BW Offshore with a par value of USD 0.01.

5.12.2 Registration in the VPS

The Consideration Shares will, when issued, be entered in the Company's register of members in the name of the Registrar, which will hold such Consideration Shares as nominee on behalf of the Prosafe Production shareholders accepting the Offer. The beneficial ownership interest in the Consideration Shares will be registered in the VPS, and will then be tradable on Oslo Børs and referred to as Shares in BW Offshore. For further details, see Section 15.1.4 "Registration of the Shares" below.

5.12.3 Trading of the Consideration Shares

The Consideration Shares will be tradable on Oslo Børs when registered on the accepting shareholders' VPS accounts. It is expected that admission to trading and listing will take place on or about 5 November 2010 at the latest.

5.12.4 The rights of the Consideration Shares

The Consideration Shares will have equal rights in all respects as the existing BW Offshore Shares. The rights relating to the Shares are described in Section 15.1.3 "Share rights" below.

5.13 Amendments to the Offer

An amendment to the Offer during the Offer Period, which, on the date such amendment is announced, represents an improvement (or no diminution) in value (an "Amended Offer"), is binding on BW Offshore from the time it is made public through Oslo Børs' information system. Prosafe Production shareholders who have accepted the Offer will automatically be given the benefit of such an Amended Offer without any action to be taken or notice to be given by such accepting shareholders. Such shareholders will in case of an Amended Offer continue to be bound by their prior acceptance. In case of an Amended Offer, the Offer Period will be extended, if necessary, so that at least the longer period of two weeks and 10 U.S. business days remain to expiry.

In the event that the Offer is withdrawn or the Offer is lowered by way of launching a revised offer by reason of the Offer conditions not being fulfilled or waived, as set out in Section 5.10 "Conditions for Completion of the Offer" above, the Prosafe Production shareholders who have accepted the Offer will be released from their acceptances. Any Prosafe Production shareholder who wishes to accept the revised offer will accordingly have to submit a new acceptance form to Carnegie at the address set out in Section 5.9 "Acceptance of the Offer" within the offer period for such revised offer. The consideration of 1.2 Shares in BW Offshore and NOK 2.00 in cash per share in Prosafe Production is conditional upon that the sale by Prosafe Production of the Turret Business is not completed as further outlined in Section 5.5 "Offer Price – Consideration". If the sale by Prosafe Production of the Turret Business is completed as set out in that Section, then the Consideration shall be 1.2 Shares in BW Offshore and NOK 5.25 in cash per share in Prosafe Production. Such increase in the Consideration shall not be considered as a withdrawal of the Offer or the launch of a revised offer, and the Prosafe Production shareholders who have accepted the Offer will accordingly not be entitled to withdraw their acceptances by reason thereof.

5.14 Announcements

Any amendment of the Offer, if any, will be followed by public announcements thereof by a release through Oslo Børs' information system (www.newsweb.no) on BW Offshore's ticker code ("BWO") as promptly as practicable and no later than 09:00 (CET) on the Business Day following the day of such amendment (or such later time and/or date as permitted by Norwegian law). In addition, BW Offshore will request that any such announcements are made available on Prosafe Production's ticker code ("PROD"). Without limiting the manner in which the Company may choose to make any public announcement, and subject to the Company's obligations under applicable law, the Company will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by release through Oslo Børs' information system (www.newsweb.no).

5.15 Expenses

The estimated expenses related to the Offer are NOK 50 million (USD 8.0 million) (exclusive of VAT). The expenses incurred in connection with the Offer will be borne by BW Offshore.

The Company will pay commissions and transaction costs in the VPS directly attributable to the Offer, i.e. costs that arise in connection with the registration and processing of the acceptances, transfer of the Prosafe

Production Shares and costs in connection with the settlement to accepting shareholders. This implies that shareholders who accept the Offer will not be debited with brokers' fees or similar costs directly related to the transfer of shares in the VPS in connection with the Offer. Any other expenses incurred by the individual Prosafe Production shareholders, e.g. for advisory services and other transaction expenses, will not be covered or reimbursed by the Company.

5.16 Dilution

The existing BW Offshore shareholders will be diluted by 33.8 percentage points as a consequence of the Offer and issuance of the Consideration Shares to the Prosafe Production shareholders, assuming that all Prosafe Production shareholders accept the Exchange Offer.

5.17 Consequences of the Exchange Offer

5.17.1 General

The Offer may result in the Company becoming the owner of all the shares in Prosafe Production validly tendered under the Offer so that the Company becomes subject to the mandatory offer rules and legislation on compulsory acquisitions described in Sections 5.17.4 "Mandatory offer" and 5.17.5 "Compulsory acquisition" below.

The Company has not identified any jurisdictions in which the transaction will be subject to notification to competition authorities, but such filings will be made if and when identified. The Company has not identified any other regulatory approvals that are required, other than the consent under the Bermuda Exchange Control Act 1972 (and its related regulations) from the Bermuda Monetary Authority for the issue and transfer of the Shares to and between non-residents of Bermuda for exchange control purposes. Such consent is not required provided the Shares remain listed on an appointed stock exchange, which includes the Oslo Børs. This Offer Document will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this Offer Document for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for BW Offshore's financial soundness or the correctness of any of the statements made or opinions expressed in this Offer Document.

If the Offer is completed, the Company intends to apply for a delisting of Prosafe Production, as further described in Section 5.17.6 "Delisting from Oslo Børs" below.

5.17.2 Impact on employees

BW Offshore will as soon as possible seek the synergies expected from the Combination of the two companies. This may affect the total number of employees in the combined group as ways to combine and streamline the operations will be explored. The Combination is expected to create one of the top players in the FPSO sector and the increased activity resulting from this will create significant opportunities for the employees of the combined group. Other than this, the Company does not currently expect the implementation of the Offer to have any legal, financial or work related effects for Prosafe Production's or the Company's employees.

5.17.3 Statement by the board of directors of Prosafe Production

The board of directors of Prosafe Production is required to announce its view on the Exchange Offer in accordance with Section 6-16 of the Norwegian Securities Trading Act no later than one week prior to the expiration of the Offer Period. The Offer is not presented according to a mutual understanding or agreement with the board of directors of Prosafe Production and BW Offshore, and BW Offshore have not identified any reasons that should give cause for Oslo Børs to nominate another party to provide such announcement regarding the Offer, cf. Section 6-16 (4) of the Norwegian Securities Trading Act.

5.17.4 Mandatory offer

If BW Offshore, despite the condition of the 90% minimum acceptance under Section 5.10 "Conditions for Completion of the Offer", accepts and acquires through the Offer shares in the capital of Prosafe Production resulting to a total holding equal or greater than 30% but no more than 50% of Prosafe Production's entire share capital, BW Offshore will be obligated under Cyprus law to make a mandatory, unconditional offer to acquire the remaining Prosafe Production shares.

Further, if BW Offshore purchases Prosafe Production shares outside of the Offer during the Offer Period that take its total holding to be equal or greater than 30%, BW Offshore will also be obligated under Cyprus law to make a mandatory, unconditional offer to acquire the remaining Prosafe Production shares.

In the event that a mandatory offer is required to be made as above, the offer price per share must be at least as high as the highest price paid by BW Offshore during the preceding six months of the date on which the obligation to make the mandatory offer is triggered, as per the Norwegian law.

If BW Offshore, as a result of the Offer or the mandatory offer referred to above, becomes the holder of at least 90% of the shares in Prosafe Production, BW Offshore will have the right under applicable law (notably Cypriot law) and if more than 90% of such shares, then under the applicable law as well as under the articles of association of Prosafe Production to require a compulsory acquisition of the remaining shares in Prosafe Production by BW Offshore, see Section 5.17.5 "Compulsory acquisition" below.

5.17.5 Compulsory acquisition

BW Offshore intends to exercise the right to require a compulsory acquisition of all the shares in Prosafe Production if, following the Offer or a mandatory offer for the acquisition of all shares in Prosafe Production as referred to in Section 5.17.4 "Mandatory offer" above, it becomes the holder of at least 90% of the shares in Prosafe Production.

In exercising the right to require a compulsory acquisition of the remaining shares in the capital of Prosafe Production, BW Offshore is required to observe, follow and comply with:

- in the case it becomes the holder of at least 90% of the shares in the capital of Prosafe Production, the relevant provisions under Cypriot law; and

- in the case it becomes the holder of more than 90% of the shares in the capital of Prosafe Production, the relevant provisions under Cypriot law and those under the articles of association of Prosafe Production to the extent that those under the articles of association of Prosafe Production are not in conflict with those under the Cypriot law.

5.17.6 Delisting from Oslo Børs

BW Offshore intends to propose a resolution to the general meeting of Prosafe Production that an application is made to delist the Prosafe Production shares from Oslo Børs, unless Oslo Børs itself decides to delist the Prosafe Production shares before such application for delisting has been submitted. The resolution to file an application to delist the Prosafe Production shares from Oslo Børs must receive the approval of at least two-thirds of the votes cast and two-thirds of the share capital represented at the general meeting. Oslo Børs may refuse the application to delist the shares from Oslo Børs with respect to the shareholders of Prosafe Production.

5.18 Purchase of Prosafe Production Shares Outside the Offer

BW Offshore reserves the right to purchase Prosafe Production shares outside of the Offer during the Offer Period as permitted by applicable laws. In such a case, if its total holding reaches or exceeds 30%, a mandatory, unconditional offer will be triggered as described in Section 5.17.4 "Mandatory Offer" above.

5.19 Advisers

The Financial Advisers in connection with the Offer are Carnegie and HSBC. Advokatfirmaet Thommessen AS is the Company's legal advisor as to Norwegian law in connection with Offer.

5.20 Tax

Each Prosafe Production shareholder is responsible for any taxes it incurs as a consequence of accepting the Offer. A brief description of certain tax implications of the Offer for the Prosafe Production shareholders is set out in Section 18 "Taxation" below. Prosafe Production shareholders are advised to seek advice from their own tax consultants in order to determine the particular tax consequences to them from their acceptance of the Offer and the relevance or effect of any domestic or foreign tax treaties.

5.21 Choice of Law and Legal Venue

The Offer and all acceptances thereof shall be governed by, and construed in accordance with, Norwegian law, provided, however, that certain legal matters regarding the Offer are subject to Cypriot law, see Section 4.1 “Restrictions” above.

Any disputes that arise in conjunction with this Offer Document and the Acceptance Form which cannot be amicably resolved are subject to the jurisdiction of Norwegian courts with legal venue in the Oslo District Court.

5.22 Other Information

Subject to the restriction for certain jurisdictions described under Section 4.1 “Restrictions” above, this Offer Document is sent to all Prosafe Production shareholders of record as of 27 July 2010, to the address recorded on each shareholder’s VPS account.

No confirmation of receipt of acceptances or other documents will be given by, from or on behalf of BW Offshore.

Additional copies of this Offer Document will be available on request from Carnegie during normal business hours at:

Carnegie ASA
Stranden 1, Aker Brygge
P.O.Box 684 Sentrum
0106 Oslo
Norway
www.carnegie.no
Telephone: +47 22 00 93 20
Facsimile: +47 22 00 99 60

This Offer Document contains a Norwegian summary set out in Section 20 “Norsk Sammendrag (Norwegian Summary)”. Please note that the Norwegian summary is a translation of Section 5 “The Offer”. In the event of any discrepancies between the contents of the Norwegian text and the English text, the English text will prevail.

6 PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

6.1 Basis for Presentation

The consolidated pro forma financial information presented below shows BW Offshore and Prosafe Production as if the Combination had been carried out on 1 January 2009 and 1 January 2010 for the purpose of the pro forma condensed and consolidated income statement for 2009 and the three months ended 31 March 2010, respectively, and as if the Combination had been carried out on 31 March 2010 for the purposes of the pro forma condensed and consolidated statement of financial position as of 31 March 2010.

The pro forma condensed and consolidated income statement and the pro forma consolidated statement of financial position are prepared using the audited consolidated financial statements for 2009 and the unaudited consolidated financials for the first quarter 2010 for BW Offshore and the audited consolidated financial statements for 2009 and the unaudited consolidated financials for the first quarter 2010 of Prosafe Production, which are prepared in accordance IFRS as adopted by the European Union and incorporated by reference to this Offer Document, see Section 19.3 "Incorporation by Reference" and www.newsweb.no. BW Offshore's accounting principles have been applied into the extent possible, cf. Sections 6.3 "Uniform Accounting Principles" and 6.4 "Allocation of the Cost of the Assets Acquired and Liabilities and Contingent Liabilities Assumed" below.

All figures in this Section 6 are in USD million if not otherwise stated.

The pro forma financial information is based on certain assumptions that would not necessarily have been applicable if BW Offshore and Prosafe Production were one company from the beginning of or as of the period presented in the pro forma financial information, i.e. from 1 January 2009 or as of 31 December 2009, respectively. The pro forma consolidated financial information does not include all of the information required for financial statements under IFRS, and should be read in conjunction with the consolidated financial statements of each of BW Offshore and Prosafe Production as of and for the year ended 31 December 2009 and the unaudited condensed consolidated interim financial information for the interim period ended 31 March 2010. On a general basis, it is emphasized that there is a high uncertainty related to pro forma consolidated financial information. The pro forma consolidated financial information is not deemed to represent the actual combination of the financial statements of BW Offshore and Prosafe Production in accordance with IFRS, since certain simplifications and highly uncertain estimates and assumptions have been made as set out in the subsequent paragraphs. Because of its nature the pro forma financial information addresses a hypothetical situation.

An independent assurance report on the pro forma financial information prepared by PricewaterhouseCoopers AS is attached as Appendix 3 to this Offer Document.

It should be noted that the pro forma financial information was not prepared in connection with an offering registered with SEC under the U.S. Securities Act and consequently is not compliant with the SEC's rules on presentation of pro forma financial Information. As such, a U.S. prospectus should not place reliance on the pro forma financial Information included in this Offer Document.

The assumptions underlying the pro forma adjustments applied to the historical audited financial statements included elsewhere in this Offer Document, for purposes of deriving the pro forma financial information are described in the notes to these unaudited pro forma financial statements. Neither these adjustments nor the resulting pro forma financial statements have been audited in accordance with Norwegian or United States generally accepted auditing standards, and the pro forma financial statements have not been prepared in accordance with the requirements of Regulation S-X of SEC or generally accepted practice in the United States. In evaluating the pro forma financial information, you should carefully consider the audited historical financial statements and the notes thereto and the notes to the unaudited pro forma financial statements.

6.2 Purchase Accounting

The combination of BW Offshore and Prosafe Production will legally take place as an acquisition by BW Offshore of the shares in Prosafe Production, whereby BW Offshore will compensate the shareholders of Prosafe Production with NOK 2.00 in cash and by issuing 1.2 Shares in BW Offshore for each share in Prosafe Production. Both BW Offshore and Prosafe Production are assumed to continue as separate legal entities and Prosafe Production will be deemed a subsidiary of BW Offshore.

IFRS 3 para 17 requires an acquirer to be identified for all business combinations. BW Offshore is the company that acquires Prosafe Production for legal purposes and is assumed to be the acquirer also for accounting purposes. The pro forma financial information has been prepared under this assumption.

The acquirees' assets and debt will be stated at fair value as of date of acquisition. The acquirer's assets and debt remain at book value.

According to IFRS 3, the acquisition date is the date on which BW Offshore obtains control of Prosafe Production. The fair value of the acquiree will be assessed at the same date. This is the assumed basis of preparation for the pro forma financial consolidated information. The pro forma consolidated financial information presented below reflects fair value as of 18 June 2010 (in which the share prices of BW Offshore and Prosafe Production was NOK 9.13 and NOK 13.85, respectively). However, the fair value will be adjusted due to fluctuation of the value of the Consideration until fulfilment. This may have a material effect on the cost of the business combination for accounting purposes. The effects of a change in fair value of the BW Offshore share price are presented in Section 6.4 "Preliminary Purchase Price Allocation" below.

6.3 Uniform Accounting Principles

When preparing the pro forma consolidated financial information, it has been assumed that the acquiree has consistent accounting principles with BW Offshore's since both companies have presented the historical financial information for 2009 and the first quarter 2010 in accordance with IFRS. However, these accounting principles leave the companies with alternatives, both in respect to use of estimates and in respect of alternative methods within the various accounting standards, in which the different alternatives and/or estimates might have significant impact on the pro forma consolidated figures.

The consolidated financial statements of Prosafe Production include information about the accounting principles applied by this company. However these statements did not have the intention to and do not give sufficient detailed information with regards to how the following significant issues are accounted for:

- Tangible assets are stated at acquisition cost. No information is given by Prosafe Production in respect to what kinds of expenses are included in acquisition cost. BW Offshore has included direct and indirect expenses and borrowing cost in acquisition cost. No adjustments have been made in the pro forma financial information to adjust for potential differences.
- Depreciation of tangible fixed assets is based on acquisition cost less residual value. No information is given by Prosafe Production with regards to how residual value is calculated.
- Excess value identified in the preliminary purchase price allocation is calculated on the basis of cash flows arising from actual contracts related to FPSOs/FSOs of Prosafe Production in which fixed period, option period and redeployment period is included. No excess values are assumed to exist on tangible fixed assets.
- Accounting for lease contracts is not commented on by Prosafe Production, but with the underlying assumption that financial statements of Prosafe Production are in accordance with IFRS, no differences between Prosafe Production and BW Offshore accounting principles are expected.
- Accounting for other sources of revenue, such as mobilisation fees, is not commented on by Prosafe Production. Accordingly, no adjustments, if any, have been made in the pro forma financial information in this regards.
- Contingent assets and liabilities are included in the accounts based on management assessments. Such assets and liabilities might be assessed differently by the management of Prosafe Production and the management of BW Offshore.
- The taxation of BW Offshore's operation in various countries are subject to company income tax based on a deemed income. This tax is presented as tax expense in the income statements. No information is given in the Prosafe Production financial information with regards to how Prosafe Production has presented such taxes. Accordingly, no adjustments have been made in the pro forma financial information in this regards.

BW Offshore's classification of assets and debt has also been adopted on Prosafe Production figures where applicable. Thereby, Prosafe Production's figures shown below are reclassified compared with previously reported figures.

6.4 Preliminary Purchase Price Allocation

As of the date of this Offer Document, BW Offshore does not have full access to Prosafe Production's accounting records, which will only be available after the completion of the transaction. As a result, a final purchase price allocation has not been prepared at this time. However, a preliminary purchase price allocation has been prepared identifying Prosafe Production's assets, liabilities and contingent liabilities. The purchase price allocation in the unaudited pro forma condensed financial information is based on the 31 March 2010 statement of financial position of Prosafe Production. The final purchase price allocation may vary from the preliminary purchase price allocation which is presented in the unaudited pro forma condensed consolidated financial information.

The identified fair value adjustments in the preliminary purchase price allocation are:

		Notes
Fair value	520.7	**1**
Book equity ex goodwill and intangibles	688.5	**2, 3**
Excess value	**(167.8)**	
Allocation of excess value:		
FPSOs and FSOs	0.0	**4**
Intangibles	0.0	**5**
Negative goodwill (residual)	(167.8)	**6, 7**

Notes

1. Fair value of the transaction is calculated by adding the Consideration in the Offer to the fair value adjusted book value of BW Offshore's investment in Prosafe Production (the book value of these shares is adjusted using the same value of Prosafe Production shares as in the Offer). An assumption has been taken in respect to 100% acceptance from the shareholders in Prosafe Production.
2. Book equity and intangibles in the statement of financial position of Prosafe Production as of 31 March 2010 amounted to USD 816.8 million and USD 65.5 million, respectively. The following adjustments have been made to these book values:

Book equity	816.8
Goodwill and intangibles	(65.5)
Reclassification of "Asset held for sale" to goodwill, ref item 3 below	(62.8)
Book equity ex goodwill and intangible assets	**688.5**

3. On 22 March 2010, Prosafe Production announced that it had entered into a letter of intent with National Oilwell Varco to sell the Turret Business for USD 165 million. In addition, there will be a deferred payment corresponding to 10% of the sold business' third-party sales for a period of seven years. Book value of this technology is estimated by the management of Prosafe Production to USD 62.8 million and is reclassified from being included as part of the goodwill of USD 128.3 million, to be presented separately as an asset held for sale, in the first quarter 2010 financial statements of Prosafe Production. According to a stock exchange notice from Prosafe Production on 30 June 2010, the letter of intent to sell the Turret Business has been extended until after the Offer has been concluded and the future ownership structure of Prosafe Production has been clarified. The Consideration offered by BW Offshore of 1.2 BW Offshore shares and NOK 2.00 in cash per Prosafe Production share reflects that the Turret Business will not be sold and the reclassification made by Prosafe Production in the first quarter 2010 report has been reversed in the table above.
4. Fair value of FPSOs, FSOs and other tangible fixed assets owned by Prosafe Production is calculated on the basis of cash flows arising from actual contracts in which fixed periods, option periods and redeployment periods are included. No excess values are assumed to exist on FPSOs, FSOs and tangible fixed assets.
5. No intangible assets are identified in the preliminary purchase price allocation. However, one or more intangible assets may be identified during the final purchase price allocation, and that such assets will be recorded in the statement of financial position of the combined entity.
6. In the preliminary purchase price allocation, no adjustments have been made to the book value of the assets and debts of Prosafe Production. Despite this, the Consideration is lower than the book equity of Prosafe Production adjusted for the book value of intangible assets, which will result in a negative goodwill. Negative goodwill will be recorded directly to the income statement as a one-off transaction together with the fair value adjustment of the shares in Prosafe Production already held by BW Offshore and the transaction cost related to the transaction. These adjustments are not reflected in the pro forma income statements presented in Section 6.6 "Pro Forma Condensed and Consolidated Income Statements and Statement of Financial Position (unaudited)".
7. If a sale by Prosafe Production of the Turret Business is completed no later than two Norwegian business days prior to expiry of the Offer Period, BW Offshore will increase the cash component of the

Consideration from NOK 2.00 to NOK 5.25 per share. This will result in an increase in negative goodwill, ref item 6 above, of USD 34.4 million.

The pro forma consolidated income statements and statement of financial position set out in this Offer Document have been prepared under the assumption that BW Offshore's acquisition of Prosafe Production will be settled partly by cash and partly by issuing new Shares in BW Offshore. The completion of the Offer is subject to, among others, a condition in which shareholders representing a minimum of 90% of the issued share capital of Prosafe Production accepting the Offer. In addition it is assumed that the remaining maximum 10% of the issued share capital of Prosafe Production will be acquired by BW Offshore, resulting in Prosafe Production being a 100% owned subsidiary of BW Offshore. As such, no minority interest is incorporated in the pro forma consolidated income statements and balance sheets.

The fair value of the transaction is based on a NOK/USD exchange rate of 6.35, BW Offshore share price of NOK 9.13 plus NOK 2.00 in cash, in addition to the fair value adjusted book value of the shares in Prosafe Production owned by BW Offshore as of 31 March 2010. The table below presents the financial effects on the preliminary purchase price allocation if changes to the fair value of the BW Offshore share price occur:

	Price of BW Offshore Share			
	NOK 9.13	**NOK 10.00**	**NOK 11.00**	**NOK 12.00**
Fair value	520.7	562.7	610.9	659.1
Book equity ex intangible assets	688.5	688.5	688.5	688.5
Excess value	**(167.8)**	**(125.8)**	**(77.6)**	**(29.4)**
Preliminary allocation of excess value:				
FPSOs and FSOs	0.0	0.0	0.0	0.0
Intangibles	0.0	0.0	0.0	0.0
Goodwill (residual)	(167.8)	(125.8)	(77.6)	(29.4)

6.5 Limitations

The unaudited pro forma financial information is provided for illustrative purposes only and does not represent what the statements of income or statements of financial position would actually have been if the transactions had in fact occurred on those dates and is not representative of the results of operations for any future periods. In addition, investors should bear in mind that the possible differences in accounting principles and/or accounting estimates commented in Section 6.3 "Uniform Accounting Principles" above might have significant impact on the pro forma financial information presented in this voluntary offer.

Investors are cautioned not to place undue reliance on this unaudited preliminary pro forma financial information.

6.6 Pro forma Condensed and Consolidated Income Statements and Statement of Financial Position (Unaudited)

6.6.1 Pro forma condensed and combined consolidated income statements and statement of financial position

Table 6-1: Pro forma condensed and combined consolidated income statement for the year ended 31 December 2009

(USD million)	Historical financial information		Pro forma adjustments					Pro forma condensed and consolidated
	BW Offshore	Prosafe Production	1 Share issue and debt financing	2 Fair value adjustment of Prosafe Production shares	3 Reclassification of Prosafe Production assets held for sale	4 Preliminary purchase price allocation	5 Elimination of share of loss of associates	
Revenues	**408.8**	**315.0**						**723.8**
Operating expenses	(274.6)	(130.1)						(404.7)
Share of loss	(45.6)	-	-				6.1	(39.5)
Operating profit before depreciation	**88.6**	**184.9**					**6.1**	**279.6**
Depreciation	(63.9)	(83.7)						(147.6)
Impairment	-	(46.7)						(46.7)
Sale of assets	(1.5)	-						(1.5)
Operating profit	**23.2**	**54.5**					**6.1**	**83.8**
Interest income	9.9	0.7						10.6
Interest expenses	(24.8)	(44.9)	(10.0)					(79.7)
Other financial items	(5.7)	(0.7)						(6.4)
Net financial items	**(20.6)**	**(44.9)**	**(10.0)**					**(75.5)**
Profit before taxes	**2.6**	**9.6**	**(10.0)**				**6.1**	**8.3**
Taxes	(11.4)	(19.9)					0.0	(31.3)
Net loss	**(8.8)**	**(10.3)**	**(10.0)**				**6.1**	**(23.0)**

Table 6-2: Pro forma condensed and combined consolidated income statement for the three months ended 31 March 2010								
(USD million)	Historical financial information		Pro forma adjustments					Pro forma condensed and consolidated
	BW Offshore	Prosafe Production	1 Share issue and debt financing	2 Fair value adjustment of Prosafe Production shares	3 Reclassifica-tion of Prosafe Production assets held for sale	4 Preliminary purchase price allocation	5 Elimination of share of loss of associates	
Revenues	**113.3**	**105.3**						**218.6**
Operating expenses	(82.1)	(49.1)						(131.2)
Share of profit	1.5	-					(1.5)	-
Operating profit before depreciation	**32.7**	**56.2**					**(1.5)**	**87.4**
Depreciation	(17.3)	(32.6)						(49.9)
Impairment	-	-						-
Sale of assets	-	-						-
Operating profit	**15.4**	**23.6**					**(1.5)**	**37.5**
Interest income	1.5	0.0						1.5
Interest expenses	(4.6)	(11.2)	(2.5)					(18.3)
Other financial items	(9.3)	(0.8)						(10.1)
Net financial items	**(12.4)**	**(12.0)**	**(2.5)**					**(26.9)**
Profit before taxes	**3.0**	**11.6**	(2.5)				**(1.5)**	**10.6**
Taxes	(2,8)	(1.6)						(4.4)
Net loss	**0.2**	**10.0**	(2.5)				**(1.5)**	**6.2**

Table 6-3: Pro forma condensed consolidated statement of financial position as of 31 March 2010								
(USD million)	Historical financial information		Pro forma adjustments					Pro forma condensed and consolidated
	BW Offshore	Prosafe Production	1 Share issue and debt financing	2 Fair value adjustment of Prosafe Production shares	3 Reclassific-ation of Prosafe Production assets held for sale	4 Preliminary purchase price allocation	5 Elimination of share of loss of associates	
ASSETS								
Intangibles	340.7	65.5			62.8	(128.3)		340.7
FPSOs and FSOs	1,222.2	1.730.2						2,952.4
Other fixed assets	21.5	-						21.5
Finance lease receivables	211.0	-						211.0
Investment in associate	184.9	-	396.4	(60.6)		(520.7)		-
Other non-current assets	133.2	8.3						141.5
Total non-current assets	**2,113.5**	**1,804.0**	**396.4**	**(60.6)**	**62.8**	**(649.0)**		**3,667.1**
Other current assets	187.3	76.5						263.8
Assets held for sale	-	62.8	**-**		(62.8)			0.0
Cash and cash deposits	195.0	140.0				(20.0)		315.0
Total current assets	**382.3**	**279.3**			**(62.8)**	**(20.0)**		**578.8**
Total assets	**2,495.8**	**2,083.3**	**396.4**	**(60.6)**	**0.0**	**(669.0)**		**4,245.9**

(USD million)	Historical financial information		Pro forma adjustments					Pro forma condensed and consolidated
	BW Offshore	**Prosafe Production**	**1 Share issue and debt financing**	**2 Fair value adjustment of Prosafe Production shares**	**3 Reclassific-ation of Prosafe Production assets held for sale**	**4 Preliminary purchase price allocation**	**5 Elimination of share of loss of associates**	
Share capital	4.6	25.5	2.0			(25.5)		6.6
Other equity	914.6	791.3	289.2	(60.6)		(643.5)		1,291.0
Total equity	**919.2**	**816.8**	**291.2**	**(60.6)**		**(669.0)**		**1,297.6**
Interest-bearing long-term debt	1,099.0	1,001.4	105.2					2,205.6
Other long-term provisions	151.9	44.8						196.7
Total long-term liabilities	**1,250.9**	**1,046.2**	**105.2**					**2,402.3**
Interest-bearing current debt	0.3	150.6						150.9
Other interest-free current liabilities	325.4	69.7						395.1
Total current liabilities	**325.7**	**220.3**						**546.0**
Total equity and liabilities	**2,495.8**	**2,083.3**	**396.4**	**(60.6)**	**0.0**	**(669.0)**		**4,245.9**

6.6.2 Notes to the pro forma financial information

The following explanatory notes relate to the pro forma adjustments included in Section 6.6 "Pro Forma Condensed and Consolidated Income Statements and Statement of Financial Position (Unaudited)":

1. **Share issue and Debt Financing**. BW Offshore expects to finance the acquisition of Prosafe Production, by issuing Consideration Shares at a value of USD 291.2 million and by debt financing of USD 105.2 million. The table below presents the calculation of these amounts:

Number of shares to be acquired	194.27
Squeeze out – estimate	-25.52
Number of shares to be acquired ex squeeze out shares	168.75
Number of shares in BW Offshore for each share in Prosafe Production	1.2
Number of shares in BW Offshore to be issued	202.50
Value per share (NOK 9.13/USD 1.44) in BW Offshore on 18 June 2010	1.44
Value of share consideration	**291.2**
Cash consideration (NOK 2.00 per share)	52.1
Cash consideration – squeeze out	53.1
Total cash consideration	**105.2**

Increased interest expenses as a result of increased debt have been estimated to USD 10.0 million on an annual basis, which has been included as "Interest expense" in the consolidated income statements. Transactions cost is a one-off adjustment arising from the transaction, and is as such only included as a pro forma adjustment to the condensed consolidated statement of financial position. No pro forma adjustments to the condensed and consolidated income statements have been incorporated in this respect.

2. **Fair value adjustment of Prosafe Production shares**. The 60.9 million shares held by the Company prior to the Offer are adjusted to the values set out in this Offer (1.2 Shares in BW Offshore for each share in Prosafe Production plus NOK 2.00 in cash). The total fair value of these shares at the values set out in this Offer amounts to USD 124.3 million, resulting in a negative fair value adjustment of USD 60.6 million at 31 March 2010. The effect of the fair value adjustment of Prosafe Production shares is a one-off adjustment arising from the transaction, and is as such only included as a pro forma adjustment to the condensed consolidated statement of financial position. No pro forma adjustments to the condensed and consolidated income statements have been incorporated in this respect.
3. **Reclassification of assets in Prosafe Production held for sale**. On 22 March 2010, Prosafe Production announced that it had entered into a letter of intent with National Oilwell Varco to sell the

Turret Business for USD 165 million. In addition, there will be a deferred payment corresponding to 10% of the sold business' third-party sales for a period of seven years. In the Prosafe Production first quarter 2010 report this letter of intent is reflected by reclassifying USD 62.8 million of goodwill to "Asset held for sale". According to a stock exchange notice from Prosafe Production on 30 June 2010, the letter of intent to sell the Turret Business has been extended until after the Offer has been concluded and the future ownership structure of Prosafe Production has been clarified. The Consideration offered by BW Offshore of 1.2 BW Offshore shares and NOK 2.00 in cash per Prosafe Production share reflects that the Turret Business will not be sold and thus the reclassification made by Prosafe Production in the first quarter 2010 report has been reversed in the table above.

4. **Preliminary Purchase Price Allocation**. BW Offshore's shareholding in Prosafe Production is eliminated and the fair values identified in Section 6.4 "Preliminary Purchase Price Allocation", is included in the consolidated statements of financial position. Negative goodwill of USD 167.8 million less estimated transaction cost of USD 20.0 million has been included as part of the equity. Negative goodwill is a one-off adjustment arising from the transaction, and is as such only included as a pro forma adjustment to the condensed consolidated statement of financial position. No pro forma adjustments to the condensed and consolidated income statements have been incorporated in this respect.
5. **Elimination of share of loss in associates**. Prosafe Production has been considered an associate of BW Offshore in 2009. BW Offshore's share of loss of USD 6.1 million included in the income statement of BW Offshore in 2009, and share of profit of USD 1.5 million included in the income statement of BW Offshore in first quarter 2010, has been eliminated in the consolidated income statements.

6.6.3 Pro forma condensed and combined consolidated income statements and statement of financial position as of 31 March 2010 if the sale of the Turret Business is completed

If the sale of the Turret Business is completed at a minimum amount of USD 165.0 million and on conditions further specified in Section 5.5 "Offer Price – Consideration" above, no later than two Norwegian business days prior to expiry of the Offer Period, the cash element in the Consideration will be increased from NOK 2.00 to NOK 5.25.

There will be no significant adjustments to the pro forma condensed and combined consolidated income statements set out in table 6-1 and 6-2 above as a result of the increased Offer consideration. As a result, these statements are not included as part of this Section.

The following adjustments will be made to the pro forma condensed and combined consolidated statement of financial position as of 31 March 2010 as presented in table 6.3:

1. The Turret Business is presented as an asset held for sale at a fair value of USD 165.0 million, resulting in an increase in equity of USD 165.0 million.
2. An increase in the cash element in the Consideration from NOK 2.00 to NOK 5.25 will increase the total value of the Consideration by USD 99.4 million. This amount is presented as a reduction in equity and increased interest-bearing debt.

Table 6-4: Pro forma condensed consolidated statement of financial position as of 31 March 2010				
		Pro forma adjustments		
(USD million)		1	2	
	Pro forma condensed and consolidated – 1.2 BWO share / NOK 2.00 in cash for each PROD share, ref table 6-3	Reclassification of the Turret Business	Increased offer consideration	Pro forma condensed and consolidated – 1.2 BWO share / NOK 5.25 in cash for each PROD share
ASSETS				
Intangibles	340.7			340.7
FPSOs and FSOs	2,952.4			2,952.4
Other fixed assets	21.5			21.5
Finance lease receivables	211.0			211.0
Investment in associate	-			-
Other non-current assets	141.5			141.5
Total non-current assets	**3,667.1**	**0.0**	**0.0**	**3,667.1**
Other current assets	263.8			263.8
Assets held for sale	0.0	165.0		165.0
Cash and cash deposits	315.0			315.0
Total current assets	**578.8**	**165.0**	**0.0**	**743.8**
Total assets	**4,245.9**	**165.0**	**0.0**	**4,410.9**
EQUITY AND LIABILITIES				
Share capital	6.6			6.6
Other equity	1,291.0	165.0	(99.4)	1,356.6
Total equity	**1,297.6**	**165.0**	**(99.4)**	**1,363.2**
Interest-bearing long-term debt	2,205.6		99.4	2,305.0
Other long-term provisions	196.7			196.7
Total long-term liabilities	**2,402.3**	**0.0**	**99.4**	**2,501.7**
Interest-bearing current debt	150.9			150.9
Other interest-free current liabilities	395.1			395.1
Total current liabilities	**546.0**	**0.0**	**0.0**	**546.0**
Total equity and liabilities	**4,245.9**	**165.0**	**0.0**	**4,410.9**

Negative goodwill will increase by USD 34.4 million if the scenario described above. Negative goodwill is not included in the pro forma condensed and consolidated income statements presented in tables 6-1 and 6-2.

7 CURRENCIES

The Company publishes its financial statements in USD (functional currency of parent company). USD is also the functional currency of most of the subsidiaries in the BW Offshore Group. Unless otherwise specified or unless the context otherwise requires, all references in this Offer Document to (i) USD refer to the lawful currency of the United States of America, (ii) NOK refer to the lawful currency of the Kingdom of Norway, (iii) EUR refer to the single currency of the European Union member states participating in the European Monetary Union and (iv) SGD refer to the lawful currency of Singapore.

For indicative purposes only, the following were the spot rates to USD as of 18 June 2010:

Country / Area	**Currency**	**Spot Rate**
Norway	USD/NOK	6.35795
Euro area	EUR/USD	1.2345
Singapore	SGD/USD	0.7171

Source: oanda.com

8 BW OFFSHORE SELECTED CONSOLIDATED FINANCIAL INFORMATION

8.1 General

The selected consolidated income statement information for the years ended 31 December 2009, 2008 and 2007 and the selected consolidated statements of financial position as of 31 December 2009, 2008 and 2007, have been derived from the Company's audited financial statements and are incorporated by reference to this Offer Document, see Section 19.3 "Incorporation by Reference" below and www.newsweb.no. The selected condensed, combined and consolidated income statement information for the three months ended 31 March 2010 and 2009 have been derived from the Company's unaudited interim financial statements for the first quarter 2010 and for the first quarter 2009 and are incorporated by reference to this Offer Document, see Section 19.3 "Incorporation by Reference" below and www.newsweb.no.

All figures in this Section 8 are in USD million if not otherwise stated.

8.2 Selected Annual Consolidated Financial Information

8.2.1 Basis for presentation of the consolidated financial information

The consolidated financial statements of BW Offshore have been prepared in accordance with IFRS. The consolidated financial statements have been prepared pursuant to the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through equity or the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the BW Offshore Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 of the Company's consolidated financial statements for 2009. For further information on significant accounting policies, see Section 8.3 "Accounting Policies" below.

8.2.2 *Consolidated income statements*

	2009 (Audited)	Years ended 31 December 2008 (Audited)	2007 (Audited)
OPERATING INCOME AND OPERATING COSTS			
Charter hire	185.2	168.0	134.7
Construction contract revenue	193.1	283.4	488.4
Lease interest	20.2	22.9	14.7
Other income	10.3	-	24.8
Total revenues	**408.8**	**474.3**	**662.6**
OPERATING EXPENSES			
Operating expenses vessels	(84.2)	(143.3)	(97.0)
Construction contract expenses	(178.3)	(232.5)	(417.7)
Currency hedges and other currency effects	25.4	-	-
Administrative expenses	(37.5)	(58.0)	(43.0)
Total expenses	**(274.6)**	**(433.8)**	**(557.7)**
Share of profit (loss) of associated companies	(45.6)	(45.7)	17.7
Impairment charge of associates	-	(166.0)	-
Gain on sale of shares in associates	-	127.0	-
Operating profit (loss) before depreciation, amortisation & sale of assets	**88.6**	**(44.2)**	**122.6**
Depreciation and amortisation	(63.9)	(51.3)	(41.1)
Impairment charges and write offs	-	(334.1)	-
Net gain (loss) on sale of tangible fixed assets	(1.5)	0.1	(4.4)
Operating profit (loss)	**23.2**	**(429.5)**	**77.1**
FINANCIAL INCOME AND FINANCIAL EXPENSE			
Net currency exchange gain (loss)	2.6	(2.5)	(1.6)
Interest income	9.9	18.8	12.8
Fair value loss on financial instruments	(5.5)	(44.1)	23.7
Interest expense	(24.8)	(52.4)	(46.2)
Other financial expenses	(2.8)	(7.7)	-
Net financial expenses	**(20.6)**	**(87.9)**	**(11.3)**
Profit (loss) before tax	**2.6**	**(517.4)**	**65.8**
Income tax expense	(11.4)	(15.2)	(13.7)
Net profit (loss) for the year	**(8.8)**	**(532.6)**	**52.1**
Profit (loss) attributable to equity shareholders	(8.8)	(532.6)	50.5
Basic earnings/(loss) per share (figures in USD)	(0.02)	(1.17)	0.12
Diluted earnings/(loss) per share (figures in USD)	(0.02)	(1.17)	0.12

	Three months ended 31 March 2010 (Unaudited)	2009 (Unaudited)
OPERATING INCOME AND OPERATING COSTS		
Operating revenues	**113.3**	**99.3**
Operating expenses	**(82.1)**	**(70.8)**
Other income		
Share of profit (loss) of associated companies	1.5	(39.2)
Operating profit (loss) before depreciation, amortisation & sale of assets	**32.7**	**(10.7)**
Depreciation and amortisation	(17.3)	(11.3)
Net gain (loss) on sale of tangible fixed assets	-	0.8
Operating profit (loss)	**15.4**	**(21.2)**
FINANCIAL INCOME AND FINANCIAL EXPENSE		
Net currency exchange gain (loss)	0.6	0.6
Interest income	1.5	2.7
Fair value loss on financial instruments	(9.5)	(3.3)
Interest expense	(4.6)	(6.7)
Other financial expenses	(0.4)	(0.3)
Net financial expenses	**(12.4)**	**(7.0)**
Profit (loss) before tax	**3.0**	**(28.2)**
Income tax expense	(2.8)	(1.6)
Net profit (loss) for the year	**0.2**	**(29.8)**
Profit (loss) attributable to equity shareholders	0.2	(29.8)
Basic earnings/(loss) per share (figures in USD)	0.00	(0.07)
Diluted earnings/(loss) per share (figures in USD)	0.00	(0.07)

8.2.3 Consolidated statements of financial position

ASSETS	As of 31 March 2010 (Unaudited)	2009 (Unaudited)	As of 31 December 2009 (Audited)	2008 (Audited)	2007 (Audited)
Vessels and vessels under construction	1,222.2	945.0	1,205.9	851.8	610.7
Property and other equipment	21.5	18.6	21.9	18.3	17.9
Goodwill	270.6	270.6	270.6	270.6	437.8
Other intangible assets	70.1	79.3	73.6	83.7	99.9
Finance lease receivable	211.0	222.4	214.0	225.1	244.0
Investments in associates	184.9	187.9	185.0	225.6	978.9
Non-current deposits	130.2	217.1	163.3	283.5	320.3
Other non-current assets	3.0	2.5	0.5	4.1	12.1
Total non-current assets	**2,113.5**	**1,943.4**	**2,134.8**	**1,962.7**	**2,721.6**
Inventory	11.0	11.7	10.7	11.6	7.0
Trade and other receivables	116.2	165.4	128.4	183.4	146.8
Due from customer for contract work	60.1	85.6	51.6	76.0	97.7
Cash and deposits	195.0	60.2	68.0	67.7	36.5
Total current assets	**382.3**	**322.9**	**258.7**	**338.7**	**288.0**
TOTAL ASSETS	**2,495.8**	**2,266.3**	**2,393.5**	**2,301.4**	**3,009.6**

EQUITY AND LIABILITIES	As of 31 March 2010 (Unaudited)	2009 (unaudited)	As of 31 December 2009 (Audited)	2008 (Audited)	2007 (Audited)
Share capital	4.6	4.6	4.6	4.6	4.6
Share premium	918.8	1,444.6	918.8	1,444.6	1,444.6
Other equity	(4.2)	(555.2)	(2.5)	(525.8)	59.0
Total shareholder's equity	**919.2**	**894.0**	**920.9**	**923.4**	**1,508.2**
Long-term loan facilities	1,099.0	986.0	1,080.3	936.0	844.6
Retirement benefit obligations	12.7	9.4	14.0	9.6	8.7
Deferred tax liabilities	21.6	21.2	22.3	22.1	-
Other non-current liabilities	117.6	10.2	120.9	11.4	38.5
Total non-current liabilities	**1,250.9**	**1,026.8**	**1,237.5**	**979.1**	**891.8**
Trade and other payables	313.7	325.1	219.4	378.7	180.6
Interest-bearing short term debt	0.3	0.4	0.3	0.4	413.3
Income tax liabilities	11.7	20.0	15.4	19.8	15.7
Total current liabilities	**325.7**	**345.5**	**235.1**	**398.9**	**609.6**
Total liabilities	**1,576.6**	**1,372.3**	**1,472.6**	**1,378.0**	**1,501.4**
TOTAL EQUITY AND LIABILITIES	**2,495.8**	**2,266.3**	**2,393.5**	**2,301.4**	**3,009.6**

8.2.4 *Consolidated cash flow statements*

	Three months ended 31 March		Years ended 31 December		
	2010 (Unaudited)	**2009 (Unaudited)**	**2009 (Audited)**	**2008 (Audited)**	**2007 (Audited)**
Cash flow from operating activities					
Profit (loss) before tax	3.0	(28.2)	2.6	(517.4)	69.8
Income tax paid	(3.5)	(3.2)	(12.1)	(15.9)	(9.8)
Loss (gain) on disposal of fixed assets	0.0	(0.8)	1.5	(127.0)	4.4
Fair value change on financial instruments	5.8	(7.3)	(22.7)	69.2	(24.1)
Share of profit/loss of associated companies	(1.5)	39.2	45.6	45.7	(17.7)
Currency exchange differences	(5.3)	(0.6)	(19.6)	(29.8)	9.3
Depreciation and amortisation	17.3	11.3	63.9	51.3	37.1
Impairment charges	0.0	0.0	0.0	500.1	0.0
Net cash flow from FPSO construction contract	0.0	0.0	0.0	0.0	127.6
Add back of net interest expense	3.1	5.7	16.6	37.3	33.4
Other changes	(2.6)	0.6	0.3	0.0	0.0
Changes in inventories, receivables and accounts payable	107.9	(5.2)	110.8	88.3	(17.3)
Net cash flow from operating activities	**124.2**	**11.5**	**186.9**	**101.8**	**212.7**
Cash flow from investing activities					
Investments in operating fixed assets and other assets	(44.0)	(134.0)	(438.2)	(404.8)	(266.4)
Investments in non-current bank deposit	0.0	35.4	60.4	(25.0)	(35.0)
Investments in subsidiaries	0.0	0.0	0.0	0.0	(382.7)
Investments in associates	0.0	0.0	0.0	0.0	(184.6)
Proceeds from disposal of fixed assets	0.0	5.3	8.0	0.0	0.0
Proceeds from disposal of investment in associate	0.0	0.0	0.0	651.9	8.4
Dividend received from associates	0.0	0.0	0.0	0.0	52.2
Interest received	1.5	0.5	1.9	8.2	12.8
Net investment in other non-current assets	0.0	0.0	0.0	0.2	(7.5)
Net cash flow from investing activities	**(42.5)**	**(92.8)**	**(367.9)**	**230.5**	**(802.8)**
Cash flow from financing activities					
Received payments from raising new long-term debt	100.0	130.0	280.0	800.0	352.1
Repayment of long-term debt	(50.1)	(50.0)	(80.2)	(682.3)	(312.0)
Received payments from raising new short-term debt	0.0	0.0	0.0	48.8	623.2
Investments in own Shares	0.0	0.0	0.0	(9.3)	-
Interest paid	(4.6)	(6.2)	(18.5)	(45.5)	(46.2)
Repayment of short-term debt	0.0	0.0	0.0	(412.8)	(210.5)
Paid-in/ distributed equity	0.0	0.0	0.0	0.0	182.0
Net cash flow from / (used in) financing activities	**45.3**	**73.8**	**181.3**	**(301.1)**	**588.6**
Net change in cash and cash equivalents	127.0	(7.5)	0.3	31.2	(1.5)
Cash and cash equivalents as of beginning of period	68.0	67.7	67.7	36.5	38.0
Cash and cash equivalents as of end of period	**195.0**	**60.2**	**68.0**	**67.7**	**36.5**

8.2.5 *Segment information*

Business segments

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) are managed on a Group basis and are not allocated to operating segments.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the senior management is measured in a manner consistent with that in the income statement.

USD 1,000				
2009 (Audited)	**Floating production**	**APL**	**Intersegment elimination**	**Total**
Operating revenues	219.9	251.9	(63.0)	408.8
2008 (Audited)				
Operating revenues	190.9	395.9	(112.5)	474.3
2007 (Audited)				
Operating revenues	442.3	220.3	-	662.6

USD 1,000				
1Q 2010 (Unaudited)	**Floating production**	**APL**	**Intersegment elimination**	**Total**
Operating revenues	79.9	36.0	(2.6)	113.3
1Q 2009 (Unaudited)				
Operating revenues	44.6	75.7	(21.0)	99.3

Geographical segments

The BW Offshore Group has operations in the following continents; America, Africa, Europe and Asia. Segment information about the BW Offshore Group's operations is presented below:

USD 1,000						
2009 (Audited)	**America**	**Africa**	**Europe**	**Asia**	**Other**	**Total**
Operating revenue	110.2	109.4	155.3	33.9	-	408.8
2008 (Audited)						
Operating revenue	93.7	123.1	147.7	106.6	3.2	474.3
2007 (Audited)						
Operating revenue	337.9	137.8	40.9	108.0	38.0	662.6

USD 1,000						
1Q 2010 (Unaudited)	**America**	**Africa**	**Europe**	**Asia**	**Other**	**Total**
Operating revenue	31.1	43.9	8.9	-	29.2	113.3
1Q 2009 (Unaudited)						
Operating revenue	32.1	48.7	8.7	9.8	-	99.3

The category "Other" reflects vessels under conversion not yet allocated to any segment.

8.3 Accounting Policies

8.3.1 Summary of accounting principles

The consolidated financial statements of BW Offshore have been prepared in accordance with IFRS. The consolidated financial statements have been prepared pursuant to the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through equity or the income statement.

All accounting standards and interpretations effective for the financial year ended 31 December 2009 and for the three months period ended 31 March 2010 have been applied respectively for the periods then ended.

For a full summary of the BW Offshore Group's accounting principles, please see the Company's annual report for 2009 as incorporated by reference in Section 19.3 "Incorporation by Reference" below and www.newsweb.no.

8.3.2 *Adoption of new and revised standards and interpretations*

The following summarises the new or amended standards, amendments and interpretations, not yet adopted by the Company as they have been published and are mandatory for the BW Offshore Group's accounting periods beginning on or after 1 January 2009 or later periods:

- IFRIC 17 "Distribution of non-cash assets to owners" (effective on or after 1 July 2009);
- IAS 27 (revised) "Consolidated and separate financial statements" (effective from 1 July 2009);
- IFRS 3 (revised) "Business combinations" (effective from 1 July 2009);
- IFRS 5 (amendment) "Measurement of non-current assets (or disposal groups) classified as held-for-sale";
- IFRS 2 (amendments) "Group cash-settled and share-based payment transactions";
- IAS 1 (amendment) "Presentation of financial statements";
- IFRS 9 "Financial instruments";
- IAS 24 (revised) "Related party disclosures amendments to IAS 32. Classification of right issues";
- IFRIC 18 "Transfer of assets from customers"; and
- IFRIC 19 "Extinguishing financial liabilities with equity investments".

Please refer to the Company´s audited financial statements note 2 accounting principles for a full discussion of the standards and their associated impact.

8.4 Auditor

PricewaterhouseCoopers AS has been the auditor for BW Offshore from the date of incorporation of the Company on 7 June 2005. PricewaterhouseCoopers AS' registered address is Dronning Eufemias gate 8, 0191 Oslo, Norway and its registration number is 987 009 713. PricewaterhouseCoopers AS is a member of The Norwegian Institute of Public Accountants.

PricewaterhouseCoopers AS has issued an auditor's report for the Company's annual accounts for the financial years 2009, 2008 and 2007, which are incorporated hereto by reference, see Section 19.3 "Incorporation by Reference" below and www.newsweb.no. PricewaterhouseCoopers AS has also issued a report in respect of the pro forma financial information herein, stating that such information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Company. The financial information of BW Offshore for the three month periods ended 31 March 2010 and 2009 are unaudited.

9 OPERATING AND FINANCIAL REVIEW

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements included in this Offer Document. The following discussion contains forward-looking statements that are based on current assumptions and estimates by the Company's management regarding future events and circumstances. The Company's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of many factors, including those described in Section 2 "Risk Factors", see also Section 4.2 "Cautionary Note Regarding Forward-Looking Statements".

9.1 Information on Financial Condition and Operating Results

9.1.1 Business and core strengths

BW Offshore is one of the world's leading FPSO contractors. BW Offhores APL division is a market leader for turnkey mooring and fluid transfer solutions for production vessels, storage vessels and tankers in a wide range of field developments and environmental conditions to the oil and gas industry[2]. BW Offshore has as a global presence with offices in Europe, Asia Pacific, West Africa and the Americas.

The Company considers its core strengths to be:

- Project execution;
- Operations;
- In-house technology;
- Installation services; and
- Geographical presence.

The Company aims to maximise shareholder value by improving the risk-weighted return on invested capital. The Company will actively consider consolidation opportunities if these contribute to the shareholder value.

9.1.2 Operations

BW Offshore owns and operates six FPSOs and one FSO. In addition, the Company has two conversion projects; the ULCC BW Nisa for Papa Terra P-63 and BW Genie for the TSB project as well as the conversion candidate VLCC BW Ara, which is earmarked for future FPSO projects.

1. The FPSO YÙUM K'AK'NÀAB is in operation at the KMZ field for Pemex on a long term contract.

2. The FPSO BW Carmen has been in operation on short term lease contracts in the Norwegian and UK sector of the North Sea. She completed one charter for Shell during the second half of 2009. On 15 March 2010, BW Offshore announced a letter of intent for the use of the FPSO BW Carmen with Ithaca Energy and partners. Under the letter of intent, the Company has entered into a paid feed study to establish feasibility and contract for the employment of the FPSO on the Athena oil field on the UK sector. Production is expected to commence mid-2011.

3. The FPSO Sendje Berge is in operation at the Okwori field offshore Nigeria for Sinopec. The contract expires in September 2011, but the client has an option to extend for another two years.

4. The FPSO Berge Helene is in operation at the Chinguetti field offshore Mauritania for Petronas.

5. The FPSO BW Cidade de São Vicente is in operation at the Tupi field offshore Brazil for Petrobras.

6. The Arctic FSO Belokamenka operates as an oil terminal in Kola Bay, Russia for Rosnefteflot. The vessel has a storage capacity of 2.4 million barrels.

7. BW Offshore, together with its Brazilian consortium partners in QUIP and QGOG, has signed a contract for the FPSO P-63 with the Papa Terra Joint Venture that consists of Petrobras (operator) and Chevron. BW Offshore's main responsibility will be to deliver the marine scope of the FPSO conversion, including the hull,

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[2] BW Offshore's technology division APL is a market leader based on the market share of number of systems delivered and has provided solutions for production vessels, storage vessels and tankers in a wide range of field developments. BW Offshore estimates that since 2000 their approximately market share has been 33% within turret systems (based on the "open" market) and 13% within terminal systems (source: Company information).

offloading system and mooring equipment for the vessel. The ULCC BW Nisa (323,000 dwt) will be utilised for this project.

8. The conversion of the FPSO BW Pioneer has continued through 2009 and the FPSO is expected to commence operations for Petrobras during 2010. BW Pioneer will be the first FPSO to operate in the US Gulf of Mexico. The day rate to be received from this unit will add significantly to the Company's cash flow.

9. On 16 July 2010, BW Offshore signed a contract with KEI for a gas FPSO to operate on the TSB fields in Indonesia. BW Offshore's scope includes inter alia the delivery of an FPSO which will have a capacity of 340 mmscfd of gas compression and conditioning. The vessel BW Genie will be utilised for this project.

10. The conversion candidate VLCC BW Ara, with a storage capacity of 2.0 million barrels, is earmarked for future FPSO projects.

The FPSO Berge Okoloba Toru operating in Nigeria was sold in 2009.

The total order backlog for the FPSO division and APL division represents a total value of approximately USD 3.2 billion including likely extensions. The likelihood of the extensions is based on current oil production scenarios.

9.1.3 Outlook

Activity level in the offshore oil industry has picked up through the second half of 2009 and is expected to continue to improve through 2010. BW Offshore is fully funded for all ongoing projects. The operating cash flow from existing vessels is secure and long term from national oil companies. Additional capacity is available for new projects if they should meet the Company's targeted returns.

The Company's FPSO BW Pioneer arrived in US waters in March 2010. The vessel will contribute to a significant growth of the EBITDA for the FPSO segment. The APL segment, although still affected by the reduction in the Exploration & Production activity, is experiencing improved activity level. It is expected that this will result in improvements in the business prospects for 2011.

9.1.4 Factors affecting results of operations

BW Offshore's activity can be divided into three activities:

(i) **Business development of new projects**: The most important measure in business development of new projects is the number of new contracts for FPSOs, and new projects for the construction and/or installation of oil field related equipment in the APL segment.

- *Number of new contracts*: BW Offshore defines the number of new contracts as the number of binding contracts for the service of a new FPSO, redeployment of the existing units on new contracts with existing customers or new customers, or a binding contract for the construction and/or installation of oil field related equipment.
- *Number of owned units*: BW Offshore defines the number of owned units as the number of units owned and in operation on contracts, under conversion or temporarily idle awaiting new contract.

(ii) **Project execution**: The most important measures in project execution are the project investment budget, the quality and suitability of the works and the project schedule.

- *Conversion of vessels to FPSO/FSOs*: As the FPSO/FSO contracts are based on specific dates of delivery and fixed prices, the profitability of BW Offshore may be influenced by delays or cost overruns of the conversion project. Any delays or cost overruns directly caused by the sub-contractors may be passed on to the sub-contractors depending on the complexity and specification of the delivery.

(iii) **Operation of projects**: The most important measures in operation of projects are the operational budget and uptime, i.e. available revenue generating days of the FPSO. Should the FPSO not meet its contracted uptime, the lack of uptime will be deducted from the income.

- *Charter hire*: BW Offshore defines charter hire as the income from its time charters for owned and partly owned units. Charter hire is calculated as gross freight income net of commissions, if any.

- *Construction contract revenue*: The lease contract with PEMEX is defined as a financial lease contract according to IAS 17. The vessel YÙUM K'AK'NÀAB was delivered to the customer in 2007 and the recognition of income and expenses with regards to this contract is accounted for by using IAS 11 Construction contracts. As such project expenses are recognised in the Income Statement when these occur. Revenue related to the contract is recognised only to the extent of expenses incurred.
- *Lease interest*: BW Offshore defines lease interest as the income from its bare boat charters for owned and partly owned units.
- *Operating expenses*: BW Offshore defines operating expenses as all operating expenses, such as operations, maintenance, manning, insurance, agency fees and allocated administration expenses for owned units on time charters, excluding bare boat units, per calendar day.

Operating revenue

The Company's operating revenue is earned from revenue received from long term time charters for the Company's units.

The Company's revenue is driven primarily by the number of units in its fleet, the number of days during which the units in its fleet operate and the amount of day rates that its units earn under charters, which in turn are affected by a number of factors discussed in Section 2 "Risk Factors".

All the units operate under long term charters. Under these charters, BW Offshore hires the units to its customers at an agreed rate for an agreed period and remain responsible for the technical management and operation of the process plant of the units.

Under its time charters, the rate BW Offshore charges for its services, which is called the time charter rate, includes two components:

- **Capital component:** The capital component ("capex rate") is intended to compensate BW Offshore for its investment and financing obligations related to an FPSO unit. The capex rate of the Company's FPSO time charters is fixed over the period of the time charter.
- **Operational component:** The operating component ("opex rate") is intended to compensate BW Offshore for a unit's operating expenses. This component typically fluctuates annually based on changes in a specified consumer price index. The opex rate includes operations, maintenance, crew expenses, insurance, agency fees and local taxes in the country of operations.

In the financial statements, the revenue items are divided into the following items:

- **Charter hire:** Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are recognised as revenue on a straight line basis based on contractual daily rates.
- **Lease interest:** Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held under a finance lease are presented in the balance sheets as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Salaries, social security and pensions

Salaries, social security and pensions include salaries for offshore and onshore personnel and related costs. While salary costs per unit per day generally do not fluctuate significantly, BW Offshore is exposed to exchange rate fluctuations and inflation adjustments on these expenses.

BW Offshore is exposed to potential increases in salaries for the officers of all nationalities. Stringent customer requirements for local hiring, competence and experience of FPSO officers and process personnel may affect the cost of operations.

Other operating expenses

Other operating expenses include consumables, maintenance, insurance and agency fees. General pricing trends in the insurance market, size, complexity and composition of the fleet and the claims track record affect the insurance cost.

Depreciation

The cost of the FPSO units is depreciated on a straight-line basis over the estimated useful lives of these units. Depreciation is based on the cost of the unit and the conversion cost less its estimated residual value.

Foreign exchange fluctuations

The Company's business has USD as its primary functional currency. Operating revenue, interest bearing debt and contractual obligations for units under construction is mainly denominated in USD. The Company's units are also valued in USD when trading in the second-hand market. The Company is exposed to expenses incurred in currencies other than USD, such as NOK, SGD and EUR. Fluctuating foreign exchange rates can have an effect on the results of operations.

9.1.5 Critical accounting estimates and assessments

For a description of the BW Offshore Group's assessments, estimates and assumptions that could have material effect on the consolidated financial statements, see note 3 "Critical accounting estimates and assessments" in the BW Offshore consolidated financial statements 2009.

9.1.6 Comparison of three months ended 31 March 2010 and 2009

The discussion below describes how the key business drivers have affected the Company's results of operations for the three months ended 31 March 2010 compared to the three months ended 31 March 2009.

Operating revenue amounted to USD 113.3 million in the first quarter of 2010 (USD 99.3 million). The increase was mainly a result of the commencement of operation of the FPSO BW Cidade de São Vicente and revenue recognised on the turnkey Papa Terra contract. The increased revenue was offset by lower activity level in the APL segment.

Operating expenses in the first quarter of 2010 amounted to USD 82.1 million (USD 70.8 million), an increase resulting mainly from an increase in operating expenses related to the commencement of operation of the FPSO BW Cidade de São Vicente and expenses recognised on the Papa Terra project, offset by lower expenses in the APL segment.

The EBITDA was USD 32.7 million (USD -10.7 million) in the first quarter of 2010 while the EBITDA before transactions related to associates was USD 31.2 million (USD 28.5 million). The increase in EBITDA arose mainly from the commencement of operation of the FPSO BW Cidade de São Vicente and the progress on the Papa Terra project which is accounted for as a "fixed price" construction contract. Revenue from this project is recognised in accordance with the "percentage of completion" (POC) method. The positive mentioned effects were offset by the APL segment which experienced a year on year reduction of EBITDA, excluding share of associates, amounting to USD 10.2 million. Changes in market values of currency derivatives amounting to USD -2.3 million (USD 7.3 million) was included in the EBITDA.

Share of profit / loss (-) of associates was USD 1.5 million (USD -39.2 million) in the first quarter of 2010 and relates to the investments in Prosafe Production and Nexus Floating Production Ltd. Share of profit from Prosafe Production amounted to USD 1.5 million (USD 0.3 million) while the share of profit from Nexus Floating Production Ltd was USD 0.0 million (USD -39.5 million). As of 31 March 2010, the Company owned 23.9% of the shares in Prosafe Production and 49.7% of the shares in Nexus Floating Production Ltd.

Net financial items for the first quarter of 2010 were USD -12.4 million (USD -7.0 million). The increase in net finance expenses was mainly due to a reduction in fair value of USD 9.5 million (USD -3.3 million) on interest derivative contracts. Interest expense was USD 4.6 million (USD 6.7 million) in the first quarter. The decrease in interest expenses is mainly a result of reduced interest rates. Interest income was USD 1.5 million (USD 2.7 million).

Result before tax was USD 3.0 million in the first quarter of 2010 (USD -28.2 million). Income tax expense amounted to USD 2.8 million (USD 1.6 million) in the first quarter. Net profit was USD 0.2 million in the first quarter (USD -29.8 million).

As of 31 March 2010, total assets amounted to USD 2,495.8 million (USD 2,266.3 million) and the total equity amounted to USD 919.2 million (USD 894.0 million). The net increase in total assets is mainly a result of net increased book value of vessels due to conversion projects and increased cash equivalents, partly offset by reduced CIRR deposits and reduced receivables.

Net cash inflow from operating activities was USD 124.2 million (USD 11.5 million). Net cash outflow from investing activities was USD 42.5 million (USD 92.8 million). Cash flow from investing activities relates mainly to the conversion projects in the FPSO segment. Net cash inflow from financing activities was USD 45.3 million (cash inflow USD 73.8 million), mainly arising from a net drawdown of USD 50.0 million (USD 80.0 million) on the loan facility.

As of 31 March 2010, the Company held USD 195.0 million (USD 60.2 million) in cash and deposits. Currently, the Company has drawn down USD 943.8 million on the USD 1,500 million credit facility. Net debt amounted to USD 774.1 million at 31 March 2010 (USD 709.1 million).

For further information see Section 9.2 “Significant Changes in the BW Offshore Group’s Financial or Trading Position since 31 March 2010”, Section 10.3 “Capitalisation and Indebtedness”, the Company’s interim report incorporated by reference in Section 19.3 “Incorporation by Reference” (see further www.newsweb.no) and elsewhere in this Offer Document.

9.1.7 Comparison of years ended 31 December 2009, 2008 and 2007

The discussion below describes how the key business drivers have affected the Company’s results of operations for the year ended 31 December 2009 compared to the years ended 31 December 2008 and 31 December 2007.

Operating revenue

Charter hire

The BW Offshore Group’s revenue derived from charter hire were USD 134.7 million in 2007, USD 168.0 million in 2008 and USD 185.2 million in 2009. The increase from 2007 to 2008 was primarily attributable to increased activity as the FPSO YÙUM K`AK`NÀAB operated a full year in 2008 compared to a half year in 2007. The increase from 2008 to 2009 was primarily attributable to increased activity as the FPSO Cidade de São Vicente commenced operation during first half of the year.

Lease interest

Revenue derived from lease interest were USD 14.7 million in 2007, USD 22.9 million in 2008 and USD 20.2 million in 2009. The increase of USD 8.2 million between 2007 and 2008 was primarily attributable to the full year of operation of the FPSO YÙUM K`AK`NÀAB in 2008 compared to half year operation in 2007. The decrease of USD 2.7 million to USD 20.2 million in 2009 was mainly attributable to less contribution from the gas splitter module installed onboard Berge Okoloba Toru, which was sold in 2009. Lease revenue derives from the operation of the FPSO YÙUM K'AK'NÀAB, the lease of the FSO Belokamenka, the lease of a gas splitter module installed onboard Berge Okoloba Toru and the lease of equipment onboard Sendje Berge.

Construction contract revenue

The BW Offshore Group’s construction contracts revenues were USD 488.4 million in 2007, USD 283.4 million in 2008 and USD 193.1 million in 2009. In 2007 the construction of the FPSO YÙUM K`AK`NÀAB contributed USD 268.1 million while the remaining USD 220.3 million was derived from construction of oil field related equipment in the APL segment. Due to the completion of the FPSO YÙUM K`AK`NÀAB in 2007 there was no construction of FPSO contract revenue included in 2008, explaining the main reason for decrease by USD 205.0 million between 2007 and 2008. The activity level in the market for new projects within the oil field related equipment was slow in 2009 which is the main reason for the decrease between 2008 and 2009. All construction contracts are fixed price construction contracts. Revenue from fixed-price construction contracts is recognised in accordance with the “percentage of completion” (POC) method. Total contract revenue amounted to USD 193.1 million in 2009 compared to USD 283.4 million in 2008. The decrease is due to the lower activity level in the APL segment.

Operating expenses

Operating expenses

Operating expenses include all expenses related to the operation of the FPSOs and FSOs, including charges for doubtful debts. Total operating expenses were USD 97.0 million in 2007, USD 143.3 million in 2008 and USD 84.2 million in 2009. The increase between 2007 and 2008 was mainly attributable to higher than expected operating expenses on the FPSO YÙUM K`AK`NÀAB together with the effect of full year operation of that vessel. In addition there was an increase of charges for bad debts which was mainly related to the troublesome operation of the FPSO Berge Okoloba Toru in the Niger Delta. In 2009, total operating expenses was reduced by USD 59.1 million, which was mainly attributable to lower operating cost on the FPSO YÙUM K'AK'NÀAB and reduced charges for bad debt offset by the commencement of operation of the FPSO BW Cidade de São Vicente.

Construction contract expenses

The BW Offshore Group's construction contracts expenses amounted to USD 417.7 million in 2007, USD 232.5 million in 2008 and 178.3 million in 2009. The main reason for the decrease between 2007 and 2008 was the completion of the FPSO YÙUM K`AK`NÀAB in 2007 and the lapse of new FPSO construction contract expenses in 2008. The construction contract expenses were further reduced by USD 54.2 million to USD 178.3 million in 2009 which reflected the lower activity level experienced in the market. All construction contracts are fixed price construction contracts. Expenses from fixed-price construction contracts are recognised in accordance with the "percentage of completion" (POC) method.

Administrative expenses

Administrative expenses include expenses that are not attributable to the operation of the Company's FPSOs and FSOs, primarily employment expenses incurred by the operating offices in Oslo, Arendal and Singapore, and all other administrative expenses. Total administrative expenses amounted to USD 43.0 million in 2007, USD 58.0 million in 2008 and USD 37.5 million in 2009. The increase from 2007 to 2008 was attributable to an increased headcount.

Transactions related to associates

Net transactions related to associates amounted to USD 17.7 million in 2007, USD -84.7 million in 2008 and USD -45.6 million in 2009. The transactions with associates in 2007 and 2008 relate to the investments in the associated companies Prosafe SE, Prosafe Production Ltd and Nexus Floating Production Ltd while in 2009 it only relates to Prosafe Production Ltd and Nexus Floating Production Ltd. In May 2008, Prosafe SE split the company into an accommodation rig company (Prosafe SE) and a floating production company (Prosafe Production Ltd). The split was carried out by a distribution of the shares in Prosafe Production Ltd to the shareholders in Prosafe SE as dividend. Subsequent to the split, BW Offshore sold its shares in Prosafe SE. The transaction resulted in a net loss amounting to USD 39.0 million. The share of net loss in 2009 is mainly attributable to the ownership of Nexus Floating Production Ltd.

Operating profit before depreciations (EBITDA)

The operating profit before depreciation, interest and taxes (EBITDA) was USD 122.6 million in 2007, USD -44.2 million in 2008 and USD 86.6 million in 2009.

Depreciation and amortization

Depreciation and amortisation amounted to USD 41.1 million in 2007, USD 51.3 million in 2008 and USD 63.9 million in 2009. The increase between 2007 and 2008 was mainly attributable to amortisation of the identified intangibles from the purchase price allocation performed when APL was acquired in 2007. The increase by USD 12.6 million between 2008 and 2009 was mainly attributable to depreciation of the FPSO BW Cidade De São Vicente which commenced operation during 2009.

Operating profit (EBIT)

Operating profit was USD 77.1 million in 2007, USD -429.5 million in 2008 and USD 23.2 million in 2009.The negative operating profit in 2008 was mainly attributable to impairment charges on investments in associates, impairment charge on vessels and impairment charge of goodwill identified when APL was acquired in 2007.

Fair value loss on financial instruments

Fair value gain on financial instruments was USD 23.7 million in 2007, USD -44.1 million in 2008 and USD -5.5 million in 2009. The gain/loss(-) is mainly due to favourable/unfavourable fair value movement on interest rate swaps.

Interest income and expenses

Net interest expense (interest income less interest expense) was USD 33.4 million in 2007, USD 33.6 million in 2008 and USD 14.9 million in 2009. The main reason for the decrease between 2008 and 2009 was the significant decrease in interests rates experienced in 2009.

Income tax expense

Tax expense was USD 13.7 million in 2007, USD 15.2 million in 2008 and was USD 11.4 million in 2009. The BW Offshore Group is not subject to taxation in Bermuda, however the BW Offshore Group is subject to taxation in the various countries in which it operates.

Net profit/ loss (-)

Net profit/loss amounted to USD 52.1 million in 2007, USD -532.6 million in 2008 and USD -8.8 million in 2009.

Equity and borrowings

Total assets amounted to USD 3,009.6 million as of 31 December 2007, USD 2,301.4 million as of 31 December 2008 and USD 2,393.5 million as of 31 December 2009. The decrease from 2007 to 2008 was mainly attributable to the impairment charges and negative share of profit of our investments in associated companies and the sale of the shares in Prosafe SE. Total assets increased from USD 2,301.4 million as of 31 December 2008 to USD 2,393.5 million as of 31 December 2009. The increase is mainly attributable to increased book value of conversion projects offset by the negative share of profit of the BW Offshore Group's investment in associated companies. As of 31 December 2009, the BW Offshore Group had a net equity of USD 920.9 million compared to USD 923.4 million as of 31 December 2008. As of 31 December 2009, the BW Offshore Group has long term interest-bearing debt of USD 1,080.3 million and short-term interest bearing debt of USD 0.3 million, compared to USD 936.0 million and USD 0.4 million, respectively, as of 31 December 2008. A favourable export financing scheme (CIRR financing) of USD 161.1 million has been drawn down on two loan facilities with Eksportfinans ASA as of 31 December 2009. The proceeds of the CIRR financing have been invested as long term bank deposits. As of 31 December 2009, net interest-bearing debt was USD 893.3 million.

For further information see Section 9.2 "Significant Changes in the BW Offshore Group's Financial or Trading Position since 31 March 2010", Section 10.3 "Capitalisation and Indebtedness", and elsewhere in this Offer Document.

Capital expenditure commitments contracted, but not recognized in the financial statements as of 31 December 2009, were USD 100.7 million in 2007, USD 146.7 million in 2008 and USD 31.8 million in 2009. The commitments are mainly related to the construction of FPSOs.

9.2 Significant Changes in the BW Offshore Group's Financial or Trading Position Since 31 March 2010

The BW Offshore Group has not experienced any significant changes to its financial or trading position after 31 March 2010 and to the date of this Offer Document.

9.3 Significant Trends and Events Since 31 March 2010

On 16 July 2010, BW Offshore signed a contract with KEI for a gas FPSO to operate on the TSB fields in Indonesia. The partners of KEI are PT Energi Mega Persada (50%), Mitsubishi Corporation (25%) and Japan Petroleum Exploration (25%). BW Offshore's scope includes the delivery of the FPSO, risers, umbilicals and mooring system, and BW Offshore will also be responsible for the installation and operation of the unit. The design, fabrication and installation of the mooring system will be executed by BW Offshore's technology division APL. The FPSO will have a capacity of 340 mmscfd of gas compression and conditioning, and the gas will be exported to the East Java Gas Pipeline. The charter contract is for a fixed period of 10 years, plus additional options of up to 4 years. The total contract value is approximately USD 875 million. First gas is planned for early 2012.

Except for the change related to the Offer as described in this Offer Document, and the contract mentioned above, BW Offshore has not experienced any other significant trends or events after 31 March 2010 and to the date of this Offer Document.

9.4 Legal and Arbitration Proceedings

Except for the matters below, the BW Offshore Group is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which BW Offshore is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past significant effects on BW Offshore and/or the BW Offshore Group's financial position or profitability.

(i) Anzon Australia Limited (a subsidiary of ROC Oil Company Limited), on behalf of itself and the other participants in the Basker Manta Gummy (BMG) project, Beach Petroleum Limited, CIECO Exploration and Production (Australia) Pty Ltd and Sojitz Energy Australia Pty Ltd, has terminated a letter of intent signed in July 2008 for the supply of a FPSO for the proposed BMG project. BW Offshore has acted according to the conditions under the letter of intent related to a termination with the purpose of seeking recovery of the costs already occurred on the project in full from Anzon. Total amount claimed by BW Offshore is approximately USD 55 million.

(ii) Anzon Australia Limited, on behalf of the participants in the Basker Manta Gummy (BMG) project, has submitted a counter-claim to BW Offshore of USD 61 to 63 million. They claim that BW Offshore represented to Anzon Australia Limited that in the course of finalizing the FPSO Contract, BW Offshore would not seek or insist on security materially different from that referred to in the letter of intent. Anzon Australia Limited claims that this representation was misleading and deceptive, in contravention of the Australian Trade Practices Act. They claim that as a result of the misleading and deceptive conduct, they suffered losses.

(iii) In 2006 and 2007, there have been changes in laws in Mexico with potential effect for the prices stated in the contract for the delivery and operation of the FPSO YÙUM K'AK'NÁAB. The BW Offshore Group and the respective client have yet not agreed on how to calculate and allocate the financial effects of these changes. The original amount disputed was USD 83.8 million but this amount was in 2008 reduced to USD 66.7 million. The BW Offshore Group expects that the dispute will be resolved by the autumn of 2010.

(iv) As part of its ordinary business, BW Offshore Group has ongoing claims against insurance companies. The estimated outcomes of these claims are reflected in the financial statements. The company does not recognise these claims as receivables until receipt of such amounts are deemed virtually certain.

10 CAPITAL RESOURCES

10.1 Cash Flows

BW Offshore has financed its capital requirements with cash flows from operations and long-term debt pursuant to an unsecured revolving credit facility of USD 1,500 million from its parent company BW Group. The Company's main uses of funds have been capital expenditures for the acquisitions of FPSO units, second hand hulls suitable for conversion, conversion costs, unit operating costs and administration of the Company. BW Offshore will require capital to fund the conversion of the units under construction and planned conversions, debt service and potential acquisitions. BW Offshore anticipates that by taking into account generally expected market conditions, internally generated cash flow, current cash position and borrowings under the unsecured, revolving credit facility, the funds will be sufficient to fund committed capital expenditures on existing conversion contracts and new projects, depending on the project size, including the Company's working capital requirements.

It is BW Offshore's intention to fund its future capital requirements through borrowings under the Company's credit facility and to repay those borrowings from time to time with funds from operations. The Company believes that funds from operations, funds available under its credit facility and current cash position will be sufficient to support the Company's growth strategy, which may include the acquisition of second hand vessels and existing FPSOs for conversion. Depending on market conditions in the FPSO industry and acquisition opportunities or new projects that may arise in addition to the above mentioned, the Company may be required to obtain additional debt or equity financing.

The funding of the Company is described in detail in Sections 10.3 "Capitalisation and Indebtedness" and 10.4 "Borrowings" below.

The Company´s net cash inflow from operating activities in the first quarter 2010 amounted to USD 124.2 million compared to net cash inflow of USD 11.5 million in the first quarter 2009. The improved cash inflow mainly reflects the improvements in operations experienced in 2009 and in 2010.

The Company's net cash outflow from investment activities in the first quarter 2010 amounted to USD 42.5 million compared to a net cash outflow of USD 92.8 million in the first quarter 2009. Net cash outflow from investment activities in the first quarter 2010 mainly relates to the conversion of the FPSO BW Pioneer.

For further information regarding the Company's capital expenditures, see Section 10.5 "Investments" below.

As of 31 March 2010 and 2009, cash and deposits amounted to USD 195.0 million and USD 60.2 million, respectively. In addition, the Company had non-current deposits as of 31 March 2010 and 2009 of USD 130.2 million and USD 217.1 million, respectively, related to the CIRR financing schemes for the FPSO YÙUM K'AK'NÀAB and the FPSO Berge Helene.

The functional currency of BW Offshore and most of its subsidiaries is USD. Generally most of the operating revenue and operating expense as well as interest bearing debt are denominated in USD. The BW Offshore Group's vessels are also valued in USD when trading in the second-hand market. The BW Offshore Group is exposed to expenses incurred in currencies other than USD, the major currencies being NOK, SGD and EUR. Operating expenses denominated in NOK, SGD and EUR constitute a minor part of the BW Offshore 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. Therefore, fluctuations in the exchange rate of NOK, SGD and EUR may have significant impact on the financial statements of the BW Offshore Group.

The BW Offshore Group enters into forward/futures contracts and option agreements in order to reduce the exchange-rate risk in cash flows nominated in foreign currencies. The exchange-rate risk is calculated for each foreign currency and takes into account assets and liabilities, commitments not recognised in the balance sheet and very probable purchases and sales in the currency in question.

10.2 Working Capital Statement

In the opinion of the Company, its working capital is sufficient for its present requirements for the next 12 months.

10.3 Capitalisation and Indebtedness

The following table shows the Company's actual capitalisation as of 31 March 2010. The numbers have not been audited. For further information see Section 9.2 "Significant Changes in the BW Offshore Group's Financial or Trading Position since 31 March 2010", the Company's interim report incorporated by reference in Section 19.3 "Incorporation by Reference", www.newsweb.no and elsewhere in this Offer Document.

Table 10-3: Statement of capitalisation and indebtedness BW Offshore Group

USD million	As of 31 March 2010 Actual Unaudited
Interest-bearing short term debt	0.0
A. Current financial debt (unguaranteed/unsecured)	**0.0**
Long term loan facilities including CIRR loans*	1,099.0
Mortgage loan	(5.0)
Non-current bank deposits related to CIRR loans*	(130.2)
B. Total non-current debt (unsecured)	**963.8**
C. Other liabilities**	**482.6**
Share capital	4.6
Share premium	918.8
Other equity	(4.2)
D. Total shareholders' equity	**919.2**
E. Total equity and liabilities	**2,495.8.**
Cash and cash equivalents****	195.0
F. Liquidity	**195.0**
G. Current trade and other receivables***	**176.3**
H. Net current indebtedness (A-F-G)	**(371.3)**
I. Non-current financial indebtedness (B)	**963.8**
J. Net financial indebtedness (H+I)	**592.5**
Available undrawn amount of credit facility****	**517.5**

*) A total of USD 161.1 million has been drawn down on two loan facilities (CIRR) entered into with Eksportfinans ASA. The proceeds from the draw down have been placed as long term bank deposits to be used to amortise and service the loans.

**) Other liabilities include trade and other payables, other non-current liabilities, tax payables, retirement benefit obligations and secured debt.

***) Current trade and other receivables include trade and other receivables, and due from customers for contract work.

****) A total of USD 400.0 million has been used as repayment of the USD 1,500 million revolving credit facility in the second quarter of 2010. This transaction is not reflected in the table above.

10.4 Borrowings

Liquidity management and funding

BW Offshore manages its liquidity at the corporate level, ensuring sufficient liquidity to cover the BW Offshore Group´s operational requirements. BW Offshore's main strategy for mitigating risk related to volatility in cash flow is to maintain a solid financial position. The Company has established guidelines for liquidity reserves and for the profile of repayment of debt in order to secure its financial position.

The challenging market conditions during 2009 led to an increased attention to cash flow and credit risk throughout BW Offshore's entire organization. In addition to measures aimed at securing the cash position, the Company had total undrawn credit facilities amounting to USD 517.5 million as of 31 March 2010 to fund possible further projects. The Company is monitoring the financial performance of key suppliers in order to reduce the risk of default on operations and key projects. During 2009 and first half 2010, net cash provided by operations and from long-term bank facilities, together with BW Offshore's liquidity holdings, were sufficient to cover its operating requirements and capital expenditures.

BW Offshore manages long-term debt at the corporate level. The last time the Company issued shares was in connection with the acquisition of APL (Advanced Production & Loading) Plc in 2007.

The following table shows the relevant key figures relating to the Company's capital resources (both short and long term) as of the latest financial period, 31 March 2010:

Table 10-4: Key figures, Capital Resources - BW Offshore Group

USD million	Notes	As of 31 March 2010 Actual Unaudited
EBITDA-margin	1	28.90%
Equity ratio	2	36.80%
Return on equity	3	3.20%
Return on capital employed	4	4.40%
Net interest bearing debt (USD million)	5	774.1
Cash flow per share (USD)	6	0.27
EPS - basic and diluted (USD)	7	0
Interest cover ratio	8	1.65

1) Earnings before interest, taxes, depreciation and amortisation / Operating revenues (adjusted for construction contract revenues).
2) Equity / Total assets.
3) Annualised net profit / Average equity.
4) Adjusted EBIT (annualized) / Average (Total assets - vessels under conversion - investments without contribution to EBIT - interest free debt and equivalents).
5) Interest bearing debt - cash and cash equivalents.
6) Net cash flow from operating activities / Weighted average number of Shares.
7) Net profit / Weighted average number of Shares.
8) Result before tax + interest expenses/ Interest expenses.

USD 1,500 million facility with BW Group

The Company has entered into a USD 1,500 million unsecured credit facility agreement with BW Group, the ultimate parent company of BW Offshore, maturing on 13 May 2013.

As of 31 March 2010, a total of USD 1,022.5 million has been drawn down on the loan facility, including performance guarantees issued under this facility. In the second quarter of 2010, the Company used excess cash of USD 400 million to reduce the amount drawn on this facility.

An arrangement fee of USD 6.7 million on the credit facility has been capitalised and will be expensed over the five year term of the loan and there is a commitment fee of 0.5% of available, undrawn amount under this facility.

See also Section 10.3 "Capitalisation and Indebtedness" above.

The key financial covenants are as follows.

(i) The book value of BW Offshore's consolidated equity cannot fall below 35% of the book value of total consolidated assets.

(ii) The book value of consolidated equity shall be a minimum of USD 500 million.

(iii) The ratio of total consolidated debt to total borrowing base of maximum 2.5 during 2009, that will be reduced to 2.0 during 2010 and then a maximum debt to borrowing ratio of 1.0 going forward.

In addition, the loan agreement has a cross default clause against other subsidiaries partly and/or wholly owned by BW Group. BW Offshore, BW Group and its subsidiaries were in compliance with these covenants as of 31 December 2009 and 31 March 2010.

The loan agreement also restricts the Company's ability to obtain external financing and/or provide security for any financing.

The facility agreement contains a "change of control" clause, whereby BW Offshore (if the lenders so require) shall mandatory prepay the facility and all commitments thereunder be terminated immediately in the event that BW Group ceases to own (directly or indirectly) more than 29% of the Shares and voting rights of BW Offshore and/or the Sohmen family interest ceases to own more than 29% of the shares and voting rights of BW Group or BW Offshore.

The Company is not allowed to borrow amounts under the credit facility if it does not comply with the financial covenants agreed in connection therewith.

Interest on drawn amounts will be payable at a rate of 125 basis points over the applicable LIBOR. Furthermore, a commitment fee of 0.50% is paid on available, undrawn amounts under this facility.

The credit facility will not prohibit the Company from paying dividends as long as it is not in default, and after giving effects to the payment of the dividend, in breach of any covenant.

USD 1,100 million facility with BW Group

In connection with the Offer, the Company has established a new bridging credit facility of USD 1.1 billion from BW Group, with expiry in November 2011. The new credit facility of USD 1,100 million and available capacity from the existing credit facility of USD 1,500 million will be sufficient to finance the entire cash consideration under the Offer and also refinance Prosafe Production's existing credit facilities, while also preserving capacity for growth for the combined company going forward.

The key financial covenants are similar to the key financial covenants under the USD 1,500 million facility.

Interest on drawn amounts will be payable at a rate of 195 basis points over the applicable LIBOR. Furthermore, a commitment fee of 0.95% is paid on available, undrawn amounts under this facility.

NOK 500 million APL bond loan

In 2006, APL, a subsidiary of BW Offshore, entered into a loan agreement with Norsk Tillitsmann ASA regarding a bond loan of NOK 500 million at a floating interest rate of NIBOR plus 2.75%.

The loan will run without instalments and mature in whole on the maturity date being 28 March 2012.

The loan is listed on Oslo Børs' Alternative Bond Market. The obligations of the Company under the loan agreement are not secured by any mortgage, pledge or other security.

APL has a call option to redeem the loan or any portion from 28 March 2010 subject to specific requirements.

The bond loan is subject to loan covenants, including an equity ratio of at least 25% of total assets among other covenants. As of 31 March 2010, the Company is in compliance with all loan covenants.

As of 31 March 2010, BW Offshore owned bonds with nominal value of NOK 378.5 million out of the bond loan of NOK 500 million.

USD CIRR financing

As of 31 March 2010, a total of USD 130.2 million has been drawn down on two loan facilities (CIRR) entered into with Eksportfinans ASA related to the conversions of the FPSO Berge Helene and the FPSO Y'UUM K'AAK N'AAB. The proceeds from the draw down have been placed as long term bank deposits to be used to amortise and service the loans. The bank deposits and the loans are according to IFRS presented as non-current assets and liabilities, on a gross basis, in the balance sheet. The corresponding interest income and interest expenses are presented on a gross basis in the income statement. The loans are charged with a fixed interest of 4.8% and 3.6%, respectively, over a period of 5 years.

Mortgage loan

In 2006, APL Property AS, a subsidiary of BW Offshore, entered into a loan agreement with Handelsbanken AB regarding a mortgage loan of NOK 40.0 million at a floating interest rate of NIBOR plus 0.6%.

The loan is a serial loan with quarterly instalments over 15 years.

10.5 Investments

The main capital expenditures are connected to the conversion program of existing and new FPSOs, vessel acquisitions and upgrading of the FPSOs.

The following table sets out information the Company's capital expenditures for the periods indicated:

Table 10-5: Historical capital expenditures BW Offshore Group

(USD million)	Period ended 31 March 2010 (Unaudited)	Years ended 31 December 2009 (Audited)	2008 (Audited)	2007 (Audited)
Capital expenditures	**44.0**	**438.2**	**404.8**	**266.4**

Future committed capital expenditures BW Offshore Group

As of 31 March 2010, committed capital expenditure of USD 78.7 million, due within one year, was related to the Company´s ongoing conversion projects in the FPSO division and the projects in the APL division. All remaining committed instalments under the existing conversion contracts and other contracts are anticipated to be funded from cash flow from operations, the Company's current cash position and drawings from the USD 1,500 million unsecured reducing revolving facility and the USD 1,100 million bridging credit facility.

11 PRESENTATION OF BW OFFSHORE

11.1 General

BW Offshore Limited was incorporated on 7 June 2005 in Bermuda as an exempted company of unlimited duration under the provisions of the Bermuda Companies Act. The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, telephone number +1 (441) 295 1422, and its registration number is 36937. BW Offshore is a holding company and the parent company of the BW Offshore Group. The FPSO/FSOs are owned by Bermudan wholly owned subsidiaries of BW Offshore. The Company's Shares were listed on Oslo Børs on 31 May 2006 with the ticker code "BWO".

The Company consists of BW Offshore Limited and its subsidiaries. The Company develops, owns, and operates Oil and Gas FPSOs (Floating Production, Storage and Offloading vessels) and FSOs (Floating, Storage and Offloading vessels). In addition, the Company develops and sells mooring and turret solutions as well as specialized equipment for vessels, through the APL division.

BW Offshore is a provider of FPSOs and FSOs by offering operational lease arrangements as well as Engineering Procurement Commissioning Installation ("EPCI") contracts. In addition, the Company provides turret mooring systems and offshore terminals on EPCI basis through the APL division. BW Offshore has, as a department and/or division of Bergesen d.y. ASA and as a separately listed company on Oslo Børs, more than 25 years' experience and has successfully delivered 15 FPSO projects and more than 50 turrets and offshore terminals to date. In 2009, the floating production division had assets operating offshore Brazil, Mauritania, Mexico, Nigeria, Russia, and the UK and will commence operations in the USA in 2010.

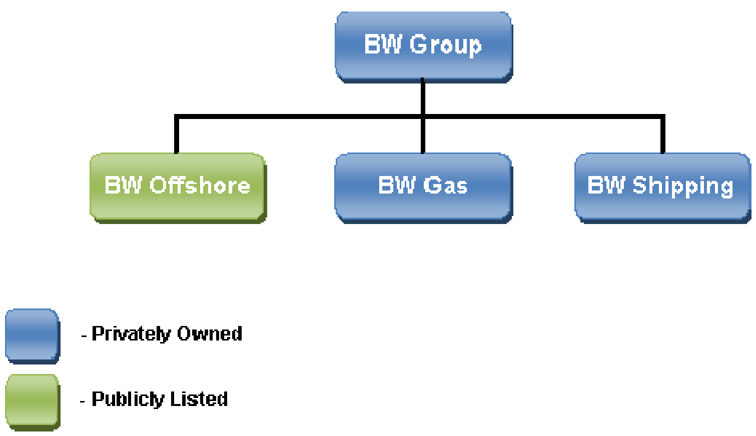
The BW Group's leading position in the maritime industry has been underpinned by the historic achievements of two long-standing shipping businesses: Bergesen d.y. ASA and World-Wide Shipping.

In 2003, the Sohmen-family interests, owner of the World-Wide tanker fleet founded by the late Sir YK Pao, acquired Bergesen d.y. ASA, Norway's largest shipping company. Through its predecessor companies Bergesen d.y. ASA and World-Wide, the BW Group has been delivering energy and other vital commodities for more than 70 years.

The acquisition of Bergesen d.y. ASA by World-Wide brought together two businesses with a similar commitment to quality and industry leadership. From 2003 to 2005, the Group underwent extensive restructuring, accompanied by the re-branding of the business under the BW name.

BW Group was incorporated in Bermuda and became the holding company of the BW Group on 30 April 2007. The BW Group's principal subsidiaries now comprise BW Gas, BW Offshore and BW Shipping. The entities are supported by a network of offices around the world.

Figure 11-1: BW Group simple organisational structure



The BW Group is one of the world's leading maritime groups in the tanker, gas and offshore segments, operating a fleet of 117 owned, part-owned or controlled vessels. The principal business areas are:

- Tankers
- Liquefied Natural Gas carriers (LNG)
- Liquefied Petroleum Gas carriers (LPG)
- Offshore floating production vessels (FPSO)
- Offshore technology (mooring systems for FPSOs and offshore LNG terminals)

The businesses are managed by experienced teams that deliver high quality and safe operations, prudent financial management and high levels of customer service.

The tanker assets are managed by Singapore-based BW Maritime, which is supported by a global network of affiliate offices. BW Gas is the gas transportation business and BW Offshore is the offshore oil and gas production business. Both BW Gas and BW Offshore are operated in Norway, and BW Offshore is listed on the Oslo Stock Exchange. APL, which produces offshore mooring systems, was acquired by BW Offshore in 2007 and operates as an independent subsidiary in Arendal, Norway. Berge Bulk is engaged in the transportation of coal and iron ore, and these vessels are managed but not owned by companies in the BW Group.

The BW Group employs more than 4,500 people, including sea staff. The onshore staff is mainly located in Singapore and Norway.

11.2 Legal Structure of the BW Offshore Group

The table below sets out the companies of the BW Offshore Group as of the date of this Offer Document.

Table 11-2: Legal structure BW Offshore Group

Name of subsidiary	Country of incorporation	Percentage of shares owned by BW Offshore
Advanced Production and Loading (M) Sdn Bhd	Malaysia	49%
Advanced Production and Loading Inc Houston	USA	100%
Advanced Production and Loading Private Limited	Singapore	100%
APL (Advanced Production & Loading) Plc	Cyprus	100%
APL do Brasil Ltda	Brazil	100%
APL Angola SA	Angola	49%
APL Property AS	Norway	100%
APL Technology AS	Norway	100%
APL UK Limited	UK	100%
Belokamenka Limited	Bermuda	100%
Berge Carmen Singapore Private Limited	Singapore	100%
Berge Helene Limited	Bermuda	100%
Berge Okoloba Toru Limited	Bermuda	100%
Bergesen Worldwide Limited	Bermuda	100%
Bergesen Worldwide Mexico, S.A. de C.V.	Mexico	100%
Bergesen Worldwide Offshore Mexico S. de RL de C.V.	Mexico	100%
BW Ara Limited	Bermuda	100%
BW Belokamenka (Cyprus) Limited	Cyprus	100%
BW Brazil Limited	Bermuda	100%
BW Carmen Limited	Bermuda	100%
BW Cidade de São Vicente Limited	Bermuda	100%
BW Endeavour Limited	Bermuda	100%
BW KMZ Limited	Bermuda	100%
BW LPG FPSO I Limited	Bermuda	100%
BW Nisa Limited	Bermuda	100%
BW Offshore (KL) Sdn Bhd (former BW Offshore Asia Sdn Bhd)	Malaysia	100%
BW Offshore (M) Sdn Bhd	Malaysia	100%
BW Offshore AS	Norway	100%
BW Offshore China Ltd (former APL China Ltd)	China	100%
BW Offshore Cyprus Limited	Cyprus	100%
BW Offshore do Brazil Ltda	Brazil	100%
BW Offshore France SAS	France	100%
BW Offshore Global Manning Private Limited	Singapore	100%
BW Offshore Netherlands B.V.	Netherlands	100%

BW Offshore Nigeria Limited	Nigeria	99%
BW Offshore Norwegian Manning AS	Norway	100%
BW Offshore Poland I sp z oo	Poland	100%
BW Offshore Poland II sp z oo	Poland	100%
BW Offshore Singapore Private Limited	Singapore	100%
BW Offshore TSB Invest Private Limited	Singapore	100%
BW Offshore USA, Inc	USA	100%
BW Pioneer Limited	Bermuda	100%
Sendje Berge Limited	Bermuda	100%

BW Offshore AS and BW Offshore Singapore Private Limited are wholly owned subsidiaries of the Company. Both BW Offshore AS and BW Offshore Singapore Private Limited have management agreements for the management and operations of the FPSO/FSOs as well as business development and project management with the Company. BW Offshore AS and BW Offshore Singapore Private Limited are operating out of Oslo, Norway and Singapore, respectively. In 2009, BW Offshore AS was merged with Advanced Production and Loading AS, APL Management Services AS and APL AS. The management companies hold no substantial assets nor are they involved in services in countries of operation. At year-end 2009, BW Offshore AS had approximately 300 employees and BW Offshore Singapore Private Limited had approximately 60 employees.

The Company is incorporated in Bermuda where the Board has its designation and the Company is domiciled. The Company's units are operating in arctic areas as well as the Gulf of Mexico, offshore Brazil, in the North Sea, Asia and a number of West African countries. BW Offshore has representative offices in Brazil, China, Cyprus, France, Malaysia, Mauritania, Mexico, Nigeria, UK and USA. The Company uses the services of BW Group's five recruitment centres for offshore/marine personnel. Through its five manning centres, in Norway, Latvia, Russia, India and the Philippines, the Company can draw on a base of more than 3,000 people.

Figure 11-2: BW Offshore presence

11.3 History and Development of the Company

The origin of the operations of BW Offshore goes back to 1982 when Berge Sisar, an LPG FPSO later replaced by Berge Troll, was installed in Angola. In 1995, a co-operation with Statoil was entered into, involving the two turret moored FPSOs Berge Hugin and Navion Munin. The two units operated on long-term contracts at the UK Continental Shelf and offshore China respectively. These two units were divested in 2001. In 1999, the Bergesen d.y. ASA acquired Scan Offshore AS, at that time a newly established company seeking to convert generic FPSOs on speculation to secure employment at a later stage. Bergesen d.y. ASA converted three generic FPSOs of which two are still retained by the Company, although in significantly upgraded and field specific versions.

In 2003, the Sohmen family acquired BW Gas (previously named Bergesen d.y. ASA), thereby also acquiring BW Gas' offshore activities.

In January 2004, Bergesen Worldwide Limited became the parent company of the BW Group. In June 2005, Bergesen Worldwide Limited announced its intention to restructure the business into separate stand-alone entities for gas, offshore, tanker and dry bulk within the BW Group. As part of this restructuring, BW Offshore was established in Bermuda in June 2005 as a wholly owned subsidiary of the BW Group to serve as the holding company for the activities within the offshore segment of the BW Group (previously held by BW Gas).

In April 2006, BW Offshore carried out a Private Placement of USD 300 million directed towards domestic and international institutional and professional investors.

The Shares were listed on Oslo Børs on 31 May 2006.

In 2007, the Company acquired APL, a company which was established in 1993 and is a market leader in the development, fabrication and sale of advanced systems for the offshore production, specialising in storage and transport of oil and gas by ships[3]. During 2007, BW Offshore and BW Group increased its ownership stake in Prosafe SE to 26.5%. In 2008, Prosafe SE spun off its FPSO business into a separately listed company; Prosafe Production Public Limited. The Company's shares in Prosafe SE were subsequently sold. BW Offshore currently holds 23.9% of the shares in Prosafe Production directly while BW Group companies own approximately 6.0% of the shares in Prosafe Production.

[3] BW Offshore's technology division APL is a market leader based on the market share of number of systems delivered and has provided solutions for production vessels, storage vessels and tankers in a wide range of field developments. BW Offshore estimates that since 2000 their approximate market share has been 33% within turret systems (based on the "open" market) and 13% within terminal systems (source: Company information).

11.4 Track Record

The Company has completed over the years 15 FPSO conversions projects and 2 FSO projects and more than 50 turrets and offshore terminals. An overview of the Company's conversion projects is set out in the figure below.

Table 11-4: Historic and current projects and units

Name	Type FPSO	Customer	Location	Start-up	Comment
Berge Sisar	LPG FSO	Chevron	Cabinda, Angola	1982	Replaced by Berge Troll
Berge Troll	LPG FPSO	Chevron Texaco	Cabinda, Angola	1989	Sold
Navion Munin	Oil FPSO	Statoil	Lufeng, South China Sea	1997	Sold
Berge Hugin	Oil FPSO	Enterprise Oil	Pierce, North Sea	1999	Sold
Sendje Berge	Oil FPSO	Triton Energy	Ceiba, Equatorial Guinea	2000	Replaced by Sendje Ceiba, modified, upgraded and relocated to Okwori, Nigeria
Sendje Ceiba	Oil FPSO	Amerada Hess	Ceiba Field, Equatorial Guinea	2002	Sold
Berge Helene	Oil FPSO	Maersk Oil	Qatar	2004	Intermediate storage before converted to FPSO and relocated to Chinguetti, Mauritania
Belokamenka	Oil FSO	Rosneft	Kola Bay, Russia	2004	In operation
Sendje Berge	Oil FPSO	Addax	Okwori, Nigeria	2005	In operation
Berge Okoloba Toru	LPG FPSO	Global	Bonny River, Nigeria	2005	Sold
Berge Helene	Oil FPSO	Woodside	Chinguetti, Mauritania	2006	In operation
YÙUM K'AK' NÁAB	Oil FPSO	Pemex	Ku-Maloob-Zaap, Mexico	2007	In operation
BW Carmen	Oil FPSO	-	Arendal, Norway	2008	Available for new projects
BW Cidade De São Vicente	Oil FPSO	Petrobras	Tupi, Brazil	2009	In operation
BW Pioneer	Oil FPSO	Petrobras	Chinook/Cascade, US GoM	2010	Under completion
BW Nisa – Papa Terra	Oil FPSO	Petrobras	Brazil	2012	Under conversion
BW Ara	-	-	-	-	Available for new projects

BW Offshore 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 and only Arctic Oil FSO (FSO Belokamenka) in 2004.
- The FPSO YÙUM K'AK'NÁAB is the world's largest FPSO to date with a throughput of up to 600,000 bbls/day and commenced operations for Pemex on the Ku-Maloob-Zaap field in Mexico in 2007.
- Through a fast track conversion project in 2008/2009 (11 months from signing to first oil), the Company delivered the first FPSO, BW Cidade de São Vicente, to the Tupi field, one of the largest fields offshore Brazil, for Petrobras.

- The FPSO BW Pioneer, the first FPSO in the US GoM, to commence operations for Petrobras in 2010, is the deepest application for a STP buoy to date, with a turret and mooring system at 2,600 meters water depth.

The APL division has a considerable track record within technology and installation services. The division has completed 17 turret mooring systems for FPSOs, seven turret mooring systems for FSOs, 25 terminals and offshore buoys and 13 installation campaigns. Clients consist of international oil & gas companies (e.g. Amerada Hess, BP, CNOOC, ConocoPhillips, Devon, Exxon, Kerr McGee, Marathon, OMV Pemex, PetroCanada, Petrofac, Shell Expro, Statoil, Suez, Total, Tuscan, Veba and Woodside) as well as contractors (e.g. Aker Floating Production, Aker Solutions, Excelerate, Hoegh LNG, Mærsk, Tanker Pacific Offshore Terminals, Technip and TEEKAY).

Important projects for the APL division in 2009 include:

- Completion of the Tupi external turret for Petrobras offshore Brazil;
- Completion of the Submerged Turret Production buoy for the Cascade & Chinook field in the US Gulf of Mexico, for Petrobras Americas;
- Delivery and installation of two Submerged Turret Loading buoys to Suez Energy for the Neptune offshore Liquefied Natural Gas (LNG) terminal;
- Delivery of an STP to Mærsk for the Peregrino field offshore Brazil;
- A Buoy Turret Loading system to Total for the Pazflor development project in Angola;
- Delivery of several offloading systems to field developments in the North Sea; and
- Delivery of oil and LNG loading equipment to several new projects.

11.5 HSEQ

Health, safety, environment and quality ("HSEQ") are given a high priority in all parts of the Company's management, conversions and operations of FPSOs and FSOs, construction and support service processes. BW Offshore's management has established policies for safety, security, occupational health and environmental management. 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 are recognised as key activities in order to achieve a HSEQ culture of the highest standard and minimise risks.

BW Offshore's management system addresses HSEQ in detail and is compliant with and certified in accordance with the International Safety Management code ("ISM") for the safe operation of ships and for pollution prevention. BW Offshore's FPSOs are certified in accordance with the requirements in the International Ship and Port Facility Security Code. In addition BW Offshore is certified by the following international HSEQ standards:

- ISO 9001 - Quality Management
- ISO 14001 - Environmental Management
- OHSAS 18001 - Occupational Health and Safety

In 2009, the Company established a common management system for all parts of the business, and merged the FPSO and APL divisions into one management system.

BW Offshore's incident ratios for the FPSO operation was reduced by 10% for Lost Time Injury ("LTI") and 50% for Total Recordable Injury ("TRI") in 2009, respectively. Higher activity levels, in particular related to FPSO conversion projects, have increased the overall exposure to incidents during the past years, resulting in a slightly increased overall injury trend. Analyses of the incidents have been conducted and will be used for setting specific risk reducing targets for the years to come.

11.6 Business Goal and Strategy

11.6.1 Vision

BW Offshore's vision is to become the number one FPSO operator and technology provider in the world, at the same time as further enhancing and maximising shareholder value.

Mission

- To deliver best in class shareholder value.
- To provide cost efficient offshore solutions driven by customer needs.
- To seek continuous improvement through adaptation and use of technology.
- To understand and manage risk with the highest regards for Health, Safety and Environment.
- To contribute to local development through BW Offshore's behaviour where the Company operates.
- To promote talent and diversity among employees.

11.6.2 Strategy

BW Offshore's strategic goal is to grow organically as a stand-alone entity by undertaking approximately two new FPSO conversions at any point in time, subject to market conditions, thereby achieving a diversified portfolio of FPSOs both in terms of the scale of projects, clients, regulatory regimes and geography. Through the technology division APL, BW Offshore aims to deliver cutting edge turnkey mooring and fluid transfer solutions for production vessels, storage vessels and tankers in a wide range of field developments and environmental conditions.

The Company will continue to enhance its core strengths, which are;

- Project execution;
- Operations;
- In-house technology;
- Installation services; and
- Geographical presence.

BW Offshore aims to grow its business in all the major offshore operating areas of the world. With its recent experience from the Tupi and Cascade & Chinook fields, BW Offshore will be well positioned to pursue new deep water developments around the world.

The Company focuses on maximising shareholder value by obtaining class leading return on invested capital. BW Offshore will also actively consider consolidation opportunities if these are considered to be value enhancing for the Company's shareholders.

A combination with Prosafe Production is an important step in this strategy and BW Offshore believes that such combination will create a player with the size and scope to play a significant role in the FPSO space going forward.

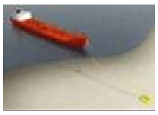
11.7 APL Division

BW Offshore's technology division APL has gained a reputation as a leading provider of systems for offshore production and transfer of oil and gas. APL has since its start experienced a substantial growth worldwide, and to date APL has delivered more than 50 production and terminal systems and close to 120 shipboard and vessel systems.

APL is involved in two product lines; sale of mooring, turret and fluid transfer systems to storage and production vessels (Production Systems) and offshore terminals and cargo transfer systems for oil and gas, including specialised ships-equipment (Terminal Systems). The systems and the equipment delivered by APL are used in offshore production, storage and the transport of oil and gas, all of which are based on the usage of ships. The products are sold to the international market and customers are usually oil field operators, companies that are responsible for an integrated oil field development, or shipping companies.

Production systems and terminal systems offered by APL include:

Figure 11-7: Production and terminal systems

Production systems		Terminal systems	
	Submerged Turret Production (STP) for FPSO		Submerged Turret Loading (STL) for LNG and Shuttle Tankers
	Submerged Turret Loading (STL) for FSO		Single Anchor Loading (SAL) for Shuttle Tankers
	External Turret Production (ETP) for FPSO		Buoy Turret Loading (BTL) for Shuttle Tankers
	SAL Yoke System (SYS) for FPSO		BLS and SDS systems for Shuttle Tankers

STP™ - Submerged Turret Production

The STP system is a unique, innovative and flexible turret mooring system for floating production and off takes vessels (FPSO) making it suitable for a wide range of applications. As a further development of the STL system, the STL turret and mooring technology has been combined with a high pressure multi-path swivel to create a complete mooring, turret and swivel package for offshore floating production based on the use of ships or ships-like structures.

STL™ - Submerged Turret Loading

The STL™ system represents the State-of-the Art within offshore loading technology. The STL technology offers a flexible, safe and cost-effective solution for mooring of vessels applied as shuttle tankers or storage vessels. APL´s STL technology has a high availability in harsh environments, and is well proven and currently installed at twelve fields worldwide.

ETP - External Turret Production

APL's ETP System is mounted forward on the bow of the FPSO vessel with the turret, swivel and main parts of the transfer system above the main deck level. The system is based on the proven Submerged Turret Production (STP) system.

The turret is supported in a ring-shaped turret support structure, which is mounted onto the vessel's bow by a cantilever structure. A version with support both at deck and bottom level is also available.

SAL™ - Single Anchor Loading

Cost effective standard/shuttle tanker and FSO mooring

The SAL system was developed as a low-cost alternative to the STL system for use in situations with less demanding operational requirements.

While the STL system is virtually weather independent, the SAL system will typically have an upper operational limit dependent on water depth and vessel size/type. The SAL system design is based on the technology of the proven STL system.

BTL - Buoy Turret Loading

Cost effective standard/shuttle tanker mooring

A novel solution to a traditional approach to a Mooring/Fluid transfer Buoy System, the BTL system complements the STL, STP, and SAL systems.

Different from the other APL systems, the BTL system is based on mooring to a buoy floating on the surface. APL's Submerged Turret Loading (STL) System has through the existing installations proven its superiority to other loading systems for operation in harsh environments.

Being built up around exactly the same turret system, the BTL buoy is very closely related to STL. Expanding the hull from the conical shape of the STL system suitable for being docked into the mating recess in the bottom of an STL vessel, the BTL Buoy hull is designed for meeting the requirements to a surface-floating buoy able to moor vessels.

As of 31 March 2010, the total order backlog for the APL division represented a total value of approximately USD 232 million. The APL business has been negatively affected by the reduced Exploration and Production activity, but is now gradually experiencing an improved activity level again. Main projects are the Cascade and Chinook project for the FPSO division, two SAL harsh environment terminal systems for a major international oil company, Pazflor for Total and Peregrino for Maersk.

11.8 FPSO-division

BW Offshore currently owns six FPSOs and one FSO. The Company also has two conversion projects, the ULCC BW Nisa for Papa Terra P-63 and BW Genie for the TSB project, as well as the conversion candidate VLCC BW Ara, which is earmarked for future FPSO projects.

Table 11-8: Overview of current fleet status

Vessel	Type	Status	Counterparty	Region
Sendje Berge	FPSO	In operation	Sinopec	Nigeria
Berge Helene	FPSO	In operation	Petronas	Mauritania
YÙUM K'AK' NÁAB	FPSO	In operation	Pemex	Mexico
BW Cidade de São Vicente	FPSO	In operation	Petrobras	Brazil
BW Pioneer	FPSO	Arrived at field, awaiting start-up of operation	Petrobras	USA
BW Carmen	FPSO	(Lay up dedicated for new FPSO project with expected start-up in mid-2011)	Letter of intent with Ithaca Energy and partners	UK
Belokamenka	FSO	In operation	Sovkomflot	Russia
BW Nisa	FPSO	Undergoing conversion for Papa Terra	Petrobras	Brazil
BW Genie*	FPSO	Undergoing conversion for the TSB project	Kangean Energy Indonesia	Indonesia
BW Ara	VLCC	Conversion candidate	-	-

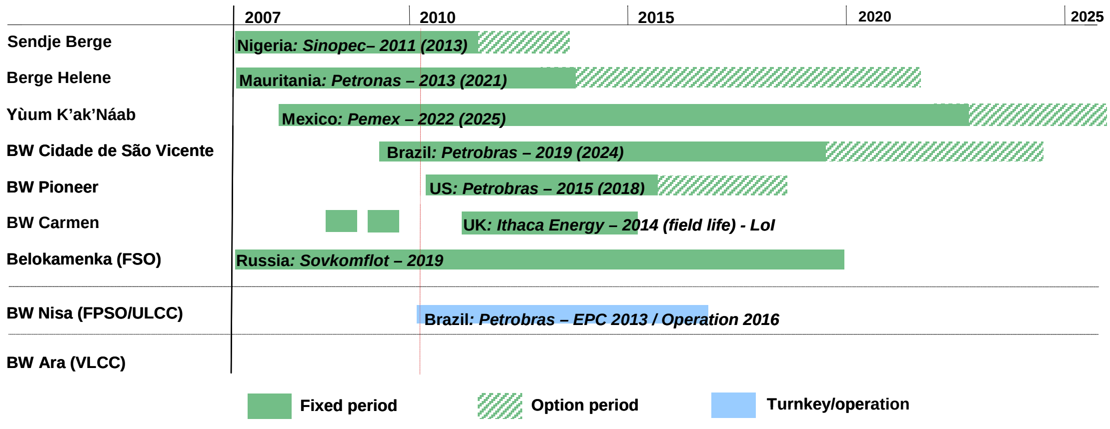
* On 16 July 2010, BW Offshore signed a contract with KEI for a gas FPSO to operate on the TSB fields in Indonesia. The vessel "BW Genie" was acquired on 20 July 2010 for this purpose.

In 2009, the BW Offshore fleet processed 73 million barrels of unstabilised oil, and stored and offloaded a total of 179 million barrels stabilised oil. The FPSOs experienced stable production and had an average uptime over the last five years of 99.5%.

The BW Offshore units are primarily based on VLCC hulls with storage capacity in the region of 2 million barrels. The units are moored in water depths up to 2,600 meters, and have operated with internal and external turrets as well as spread mooring systems. Topside oil processing capacities have ranged from 50,000 bbl/day to 200,000 bbl/day and water injection has been delivered both with and without sulphate removal. BW Offshore has also delivered gas compression for gas lift and re-injection on three units to date.

The total order backlog for the FPSO division currently represents a total value of some USD 3 billion (whereof approximately 70% is fixed contract value). The weighted average contract length is around eight years for the fixed period or around 11 years if including options. BW Offshore's contract coverage is illustrated in the figure below:

Figure 11-8: BW Offshore's current contract structure



* BW Pioneer is expected to commence operations on the Cascade and Chinook field in the US Gulf of Mexico during 2010.
** BW Offshore signed contract for the Papa Terra FPSO on 29 January 2010. BW Offshore will utilise the ULCC BW Nisa for the project.
*** BW Offshore signed a letter of intent for the use of the FPSO BW Carmen with Ithaca Energy and partners in May 2010.

Throughout the past five years, BW Offshore has developed a strong position in some of the fastest growing offshore markets in the world. With the first FPSO on the Tupi field in operation (the FPSO BW Cidade de São Vicente) and the award of the Papa Terra project (using the ULCC BW Nisa), BW Offshore is expecting to further grow its business in Brazil. As the FPSO BW Pioneer commences operation on the Cascade & Chinook fields in the US during 2010 and the FPSO YÙUM K'AK' NÁAB has been operating since 2007 in Mexico, BW Offshore will also operate the first two FPSOs in the Gulf of Mexico (GoM). BW Offshore has gained valuable experience through these projects, especially through the technical challenges of the Cascade & Chinook project, and the Company expects to be well positioned for new deep water developments around the world.

11.9 Berge Helene

Figure 11-9: Berge Helene at the Chinguetti field offshore Mauritania

11.9.1 Technical specifications

Table 11-9: Technical specifications Berge Helene

First oil:	1st quarter 2006
Liquid production capacity:	100,000 bbl/d
Oil production capacity:	75,000 bbl/d (peak 90,000 bbl/d)
Water injection capacity:	100,000 bw/d
Gas compression:	70 mmscfd
Storage capacity:	2,000,000 bbls
Length overall:	349 meters
Breadth moulded:	52 meters
Depth moulded:	27 meters
Built year:	1976
Converted to FPSO year:	2002 and 2005
Mooring:	Turret
Water depth:	850 meters
Main process supplier:	Vetco Aibel AS
Design life:	Minimum 20 years from conversion
Class:	DNV
Flag:	Bermuda

11.9.2 Contract with Petronas

The generic FPSO Berge Helene is operating at the Chinguetti field offshore Mauritania for Petronas. The duration of the contract is seven years fixed and four two-year options from February 2006. In addition, Petronas may prolong the fixed period for three years against a reduced annual CAPEX dayrate. The client may at any time during the initial term cancel the contract at its discretion against paying to BW Offshore an early termination fee. Petronas has also a purchase option which can be exercised at any time during the contract period. The current average production is approximately 41,000 bbls/day (2009).

11.10 Sendje Berge

Figure 11-10: Sendje Berge at the Okwori field

11.10.1 Technical specifications

Table 11-10: Technical specifications Sendje Berge

First oil:	February 2005
Liquid production capacity:	60,000 bbl/d
Oil production capacity:	50,000 bbl/d
Gas compression capacity:	55 mmscfd
Storage capacity:	2,000,000 bbls
Length overall:	349 meters
Breadth moulded:	52 meters
Depth moulded:	27 meters
Built year:	1974
Converted to FPSO year:	2000
Mooring:	Spread mooring
Water depth:	140 meter
Main process supplier:	Vetco Aibel AS
Design life:	Minimum 15 years from conversion
Class:	DNV
Flag:	Bermuda

11.10.2 Contract with Sinopec

The generic FPSO Sendje Berge operates at the Okwori field offshore Nigeria for Sinopec. The contract duration was originally four years fixed and four years optional from March 2005, but the fixed lease contract was extended in September 2008 by two years until March 2011, whereby the client has an option to extend for another two years. The client may at any time during the initial term cancel the contract at its discretion against paying to BW Offshore an early termination fee. Sinopec has no option to purchase the vessel. The current average production is approximately 11,000 bbls/day (2009).

11.11 YÙUM K'AK'NÁAB

Figure 11-11: YÙUM K'AK'NÁAB

11.11.1 Technical specifications

Table 11-11: Technical specifications YÙUM K'AK'NÁAB

First oil:	Q2 2007
Oil production capacity:	200,000 bbl/d/processing capacity
Oil receiving capacity:	400,000 bbl/d
Gas compression capacity:	120 mmscfd
Storage capacity:	2,500,000 bbls
Length overall:	341 meters
Breadth moulded:	65 meters
Depth moulded:	32 meters
Built year:	1981
Converted to FPSO year:	2006
Mooring:	Disconnectable turret
Water depth:	90 meters
Main process supplier:	Kanfa
Design life:	Minimum 20 years from conversion
Class:	DNV
Flag:	Bermuda

11.11.2 Contract with Pemex

YÙUM K'AK'NÁAB is operating at the Ku-Maalob-Zaap field offshore Mexico for Pemex Exploración Y Productión ("Pemex"). The vessel commenced operations in July 2007. The duration of the contract is 15 years fixed and option to extend for additional three years. The client may at any time terminate the contract at its discretion, by (i) paying for the services rendered until the termination and (ii) exercising its purchase option. PEMEX has a right to purchase the unit after acceptance throughout the contract term. The title of the vessel will automatically be transferred to the customer at the end of the lease term without compensation.

The current average production is approximately 425,000 bbls/day (2009).

There is a pending dispute regarding the contract for the delivery and operation of YÙUM K'AK'NÁAB, see Section 9.4 "Legal and Arbitration Proceedings".

11.12 Belokamenka

Figure 11-12: Belokamenka on site

11.12.1 Technical specifications

Table 11-12: Technical specifications Belokamenka

Operation start:	April 2004
Storage capacity:	2,400,000 bbls with cargo heating system
Throughput capacity:	20 million tons per year
Length overall:	341 meters
Breadth moulded:	65 meters
Depth moulded:	32 meters
Built year:	1980
Converted to FSO year:	2003
Mooring:	Spread mooring
Design life:	Minimum 15 years from conversion
Class:	DNV/Russian Maritime Register of Shipping
Flag:	Bermuda

11.12.2 Ownership

The BW Offshore subsidiary Belokamenka Limited is the 100% owner of the unit and has bareboat chartered Belokamenka to BW Belokamenka (Cyprus) Ltd, a subsidiary of BW Offshore, which again has bareboat chartered the unit to the to the Russian company Oil Terminal Belokamenka. Oil Terminal Belokamenka is a joint venture owned 50% by Belokamenka Limited and 50% of Rosnefteflot, a subsidiary of Rosneft. The joint venture has again entered a transhipment agreement with the Rosneft subsidiary, Arkangelsknefteprodukt.

11.12.3 Contract

The FSO Belokamenka has operated as an oil terminal in Kola Bay, Russia for Rosneft since April 2004. The contract was entered into in January 2004 with JSC Oil Company “Rosneft-Archangelsknefteproduct” (“Arkangelsknefteprodukt”). The duration of the contract is 15 years (fixed).

The contract for Belokamenka provides Rosnefteflot with an option to purchase the unit from Oil Terminal Belokamenka Limited (of which BW Offshore owns 50%) after five years of operation and each month thereafter until 15 years of operation. Correspondingly, Oil Terminal Belokamenka Limited has a purchase option directed against Belokamenka Limited (of which BW Offshore owns 100%) to purchase the unit after five years in operation and each month thereafter until 15 years of operation.

11.13 BW Pioneer

Figure 11-13: BW Pioneer

11.13.1 Technical specifications

Table 11-13: Technical specifications BW Pioneer

Operation start:	Second/third quarter 2010
Storage capacity:	600,000 bbls
Oil production capacity:	80,000 bbl/d
Gas compression capacity:	16 mmscfd
Length overall:	242 meters
Breadth moulded:	42 meters
Depth moulded:	20.4 meters
Built year:	1992
Converted to FPSO year:	2010
Mooring:	Disconnectable turret
Water depth:	2,600 meters
Design life:	15 years
Class:	DNV
Flag:	Bermuda

11.13.2 Contract with Petrobras America Inc.

BW Offshore signed a contract with Petrobras America Inc. in October 2007 for the conversion, installation and operation of an FPSO at the Cascade & Chinook fields in the US Gulf of Mexico. The FPSO arrived in the US in April and will be installed on the Chinook Cascade fields at the Walker Ridge area in 2010. Oil production and operations are expected to commence towards the end of 2010. The vessel contract is for a fixed term of five years and an optional period of up to three years from start of production. Petrobras America Inc. is entitled to terminate the contract without cause after 540 days in exchange of a single payment to BW Offshore in the amount of USD 322.4 million. There exists no purchase option for the client to buy the vessel. The project has also included the delivery and installation of an APL disconnectable Submerged Turret Production Buoy (“STP”) including fluid swivel and with the worlds currently deepest mooring system.

11.14 BW Cidade De São Vicente

Figure 11-14: BW Cidade De São Vicente

11.14.1 Technical specifications

Table 11-14: Technical specifications Cidade De São Vicente

Operation start:	April 2009
Storage capacity:	600,000 bbls
Oil production capacity:	30,000 bbl/d
Gas compression capacity:	0 mmscfd
Length overall:	291 meters
Breadth moulded:	43.5 meters
Depth moulded:	23 meters
Built year:	1976
Converted to FPSO year:	2009
Mooring:	Turret
Water depth:	2,500 meters
Design life:	15 years
Class:	DNV
Flag:	Bermuda

11.14.2 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 and in addition has a purchase option to buy the vessel after five years onwards. There is no early termination clause in the contract.

11.15 BW Carmen

Figure 11-15: BW Carmen

11.15.1 Technical specifications

Table 11-15: Technical specifications BW Carmen

Operation start:	Available
Storage capacity:	50,000 bbls
Oil production capacity:	28,000 bbl/d
Liquid production capacity:	40,000 bpd
Length overall	101 meters
Breadth moulded:	21 meters
Depth moulded:	11.5 meters
Built year:	1994
Converted to FPSO year:	1999
Mooring:	DP2
Water depth:	Anv
Design life:	N/A
Class:	DNV
Flag:	Bermuda

In 2009, the FPSO BW Carmen was in operation on short term lease contracts in the Norwegian and UK sector of the North Sea. The FPSO completed a charter for Shell during the second half of 2009.

11.15.2 Letter of intent with Ithaca Energy and partners

On 15 March 2010, BW Offshore signed a letter of intent for the use of the FPSO BW Carmen with Ithaca Energy and partners. The FPSO is pending a feed study to be employed on the Athena oil field on the UK sector and is intended to commence production in mid 2011. The letter of intent includes the intent of a fixed charter period of three years with options to extend throughout the life of field.

BW Offshore will perform a FEED study for the client and expects the study and final contract negotiations to be concluded within second quarter of 2010. The FPSO will be upgraded with field specific equipment, including a STP buoy that will be delivered from the APL division.

11.16 BW Nisa

Figure 11-16: BW Nisa

BW Nisa is an ULCC of 323,000 Dwt built in 1983. The vessel is the conversion candidate dedicated for the Papa Terra project with Petrobras in Brazil.

11.16.1 Contract for the Papa Terra FPSO P-63

On 29 January 2010, BW Offshore and its Brazilian consortium partners QUIP and QGOG (Queiroz Galvão Oil and Gas) signed a contract for the FPSO P-63 with the Papa Terra Joint Venture (Petrobras (operator) and Chevron). BW Offshore will be responsible for delivery of the marine scope consisting of hull conversion including life extension, module supports, living quarter and utility systems. BW Offshore will also be responsible for the operation for the first 18 months, plus additional support for another 18 months together with partner QGOG. The contract is a turnkey EPCI contract, in which BW Offshore will receive milestone payments throughout the contract period.

11.17 BW Genie

Figure 11-17: BW Genie

The BW Genie is a vessel acquired for the purpose of being converted to a gas FPSO over the next 1.5 to 2 years. The FPSO will be operating under a contract with KEI on the TSB fields in Indonesia for a 10 year fixed contract.

11.18 BW Ara

Figure 11-18: BW Ara

The VLCC BW Ara is a conversion candidate earmarked for future FPSO projects. The vessel is built in 1982 and has a storage capacity of 2 million barrels.

12 BUSINESS AREAS AND MARKETS

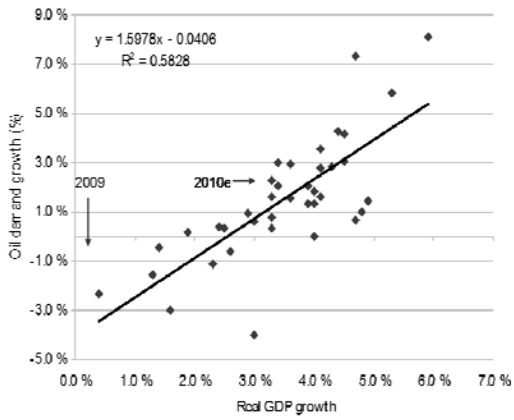
Despite a slowdown in activity in the past couple of years due to the world economic turmoil, the long-term fundamentals of the FPSO sector remain strong. The offshore production market, and hence, the sub-market for FPSO units, remains sensitive to the development in exploration and production ("E&P") spending by oil companies and consequently the level of the oil price, which again is dependent on the general global economic conditions. Underlying growth in energy demand combined with accelerating depletion of existing fields, will necessitate the development of new oil and gas fields. The investments in new facilities by international and national oil companies are expected to lead to continuing demand for the services provided. The FPSO market has seen activity returning, with majors and NOCs active, but also the re-emergence of smaller E&P companies. The first order after the financial crisis came with the Aseng contract to SBM Offshore in the third quarter of 2009, and since then the market has gradually started to improve and there have been orders for twelve more units.

12.1 General Market Drivers

12.1.1 Global economic conditions

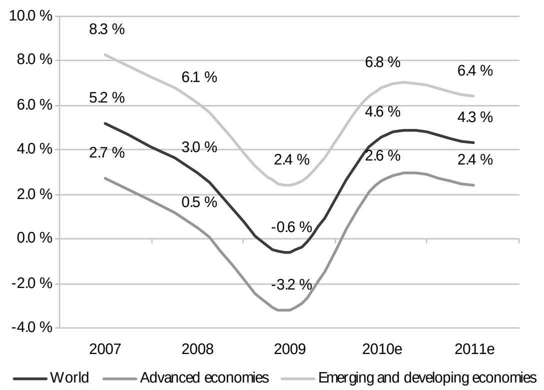
As illustrated in figure 12-1 below, the demand for oil is highly dependent on the growth of the general economy. In 2009, global gross domestic product ("GDP") declined by 0.6%. The International Monetary Fund ("IMF") projects that this will turn positive again in 2010 and estimates a GDP growth of 4.6% in 2010 and 4.3% in 2011. The growth projections are primarily based on expansionary governmental monetary policy and fiscal deficits. There is still uncertainty related to the recovery of the world economy, and questions include what will happen with economic growth when the governmental stimulus packages comes to an end, and when we will see real consumer driven growth.

Figure 12-1: Global GDP vs. oil demand growth



Source: IEA (historical oil demand figures) and Carnegie Research.

Figure 12-2: GDP development and forecasts



Source: IMF, "World Economic Outlook", April 2010.

12.1.2 Supply and demand for oil

During 2009, the oil supply and demand balance improved significantly. The Organisation for Petroleum Exporting Countries ("OPEC") has had an increasing trend in production over the previous year, with an average production of 29.25 mb/d[4] in over the past three months (source: International Energy Agency ("IEA"), *"Oil Market Report"*, July 2010). The target production for the eleven OPEC countries in the quota system (excluding Iraq), is currently 24.854 mb/d – significantly lower than their actual production.

Non-OPEC production has also been higher in recent months than in the corresponding months last year. The driver behind this growth is the CIS countries (former Soviet Union). Non-OPEC production averaged 50.12 mb/d Q1 2010, and OPEC expects an increase of 0.64 mb/d in 2010 (source: OPEC, *"Monthly Oil Market Report"*, June 2010).

[4] OPEC 11 (excludes Iraq and Natural Gas Liquids figures).

The table below shows quarterly development in global oil supply for the last two years in addition to Carnegie Research estimates for 2010.

Table 12-1: Global oil supply

Oil supply (mill. b/d)	Q1(09)	Q2(09)	Q3(09)	Q4(09)	Q1(10)	Q2(10e)	Q3(10e)	Q4(10e)	Q1(11e)	Q2(11e)	Q3(11e)	Q4(11e)
NON-OPEC												
OECD	19.1	18.5	18.5	18.9	18.9	18.8	18.2	18.5	18.7	18.1	17.9	18.2
FSU	13.0	13.3	13.4	13.5	13.5	13.5	13.5	13.8	13.8	13.8	13.6	13.8
China	3.8	3.9	3.9	3.9	4.0	4.0	4.0	4.0	4.0	3.9	3.9	3.9
Other	13.3	13.3	13.4	13.6	13.9	14.0	13.9	14.1	14.4	14.5	14.7	14.6
Processing Gains	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total Non-OPEC	**51.5**	**51.3**	**51.5**	**52.2**	**52.5**	**52.5**	**51.8**	**52.6**	**53.1**	**52.5**	**52.3**	**52.7**
OPEC												
OPEC9 Crude	23.8	23.5	23.5	23.6	24.3	24.4	24.4	24.4	24.4	24.4	24.4	24.4
Iraq	2.3	2.5	2.5	2.5	2.4	2.3	2.4	2.4	2.5	2.5	2.5	2.5
NGLs	4.8	4.9	5.2	5.3	5.0	5.1	5.4	5.6	5.8	5.9	5.9	5.9
Angola	1.7	1.7	1.8	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Ecuador	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total OPEC	**33.1**	**33.0**	**33.5**	**33.8**	**34.1**	**34.0**	**34.4**	**34.6**	**35.0**	**35.1**	**35.1**	**35.1**
TOTAL SUPPLY	**84.6**	**84.3**	**85.0**	**86.0**	**86.6**	**86.5**	**86.2**	**87.2**	**88.1**	**87.6**	**87.4**	**87.8**

Source: Historical figures from IEA and Carnegie Research estimates.

After a contraction in demand for oil of 1.5 mb/d in 2009, OPEC expects an increase of 0.95 mb/d in 2010 to 85.4 mb/d. The growth in demand is expected to be driven by China and the Middle East region (source: OPEC, *"Monthly Oil Market Report*", June 2010).

The table below shows quarterly development in global oil demand for the last two years in addition to Carnegie Research estimates for 2010. These estimates are slightly higher than OPEC's own projections due to a more positive view on the recovery in USA and the European economies.

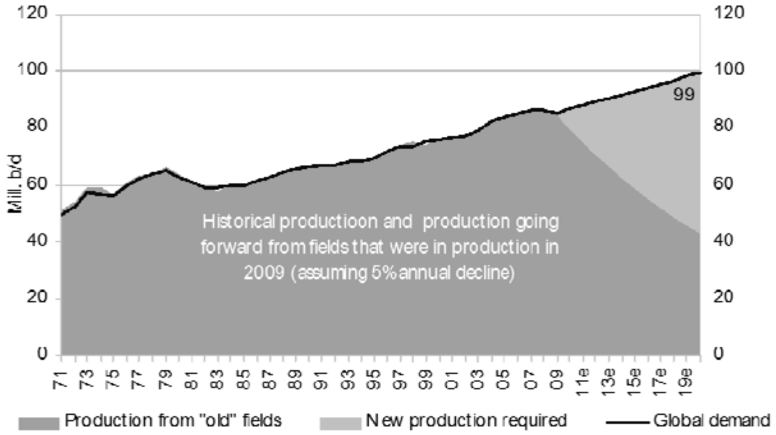
Table 12-2: Global oil demand*

Key estimates (mill. b/d)	Q1(08)	Q2(08)	Q3(08)	Q4(08)	Q1(09)	Q2(09)	Q3(09)	Q4(09)	Q1(10e)	Q2(10e)	Q3(10e)	Q4(10e)
Global oil demand	87.4	86.3	85.9	85.4	84.5	84.2	85.3	86.1	86.0	86.6	86.8	87.0
Y/Y change in global oil demand	**1.2**	**1.3**	**-0.1**	**-1.9**	**-2.9**	**-2.2**	**-0.6**	**0.7**	**1.5**	**2.4**	**1.5**	**0.9**
Y/Y change in global oil demand (%)	1.4 %	1.5 %	-0.1 %	-2.2 %	-3.4 %	-2.5 %	-0.7 %	0.9 %	1.8 %	2.9 %	1.7 %	1.1 %
Non-OPEC production	51.0	50.8	50.1	50.7	51.5	51.3	51.5	52.2	52.5	52.5	51.8	52.6
Y/Y change in non-OPEC prod.	**0.1**	**0.2**	**0.1**	**0.2**	**0.5**	**0.5**	**1.4**	**1.5**	**1.0**	**1.2**	**0.3**	**0.4**
Call on OPEC	**36.4**	**35.5**	**35.8**	**34.7**	**33.0**	**32.9**	**33.8**	**33.9**	**33.5**	**34.1**	**34.9**	**34.4**
"Non-core OPEC" '	9.3	9.5	9.4	9.5	9.3	9.6	10.0	10.2	9.8	9.7	10.0	10.2
Call on OPEC9 crude	**27.2**	**26.0**	**26.4**	**25.2**	**23.7**	**23.3**	**23.7**	**23.7**	**23.7**	**24.4**	**24.9**	**24.2**
OPEC9 production quotas	26.4	26.4	26.4	25.5	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9
OPEC9 actual crude production	**26.9**	**26.5**	**26.9**	**25.9**	**23.8**	**23.5**	**23.5**	**23.6**	**24.3**	**24.4**	**24.4**	**24.4**
Implied stock change	-0.3	0.5	0.4	0.7	0.1	0.1	-0.3	-0.1	0.6	-0.1	-0.5	0.2

Source: Historical figures from IEA and Carnegie Research estimates.
**OPEC 9 excludes Iraq, Angola and Ecuador and Natural Gas Liquids figures.*

As seen in the graph below, global demand for oil is expected to continue to increase and reach 99 mb/d in 2020. According to Carnegie Research estimates, the average decline from fields that currently are in production is between 4 to 6%. This means that in 2020, the production from fields that were in production at year end 2009 will be about 48 million b/d – down from 85 million b/d at year end 2009. Hence, even if global oil demand does not grow in the period, the world will have to produce 37 mb/d from fields that are currently not in production. This is an immense task that in the oil industry is called "The Production Challenge". If Carnegie Research estimates for oil demand growth are included, almost 50% of the global demand in 2020 will have to come from new fields. Consequently, the market balance is expected to improve in favour of the floating production contractors.

Figure 12-3: The production challenge



Source: IEA historical figures and Carnegie Research.

12.1.3 E&P spending

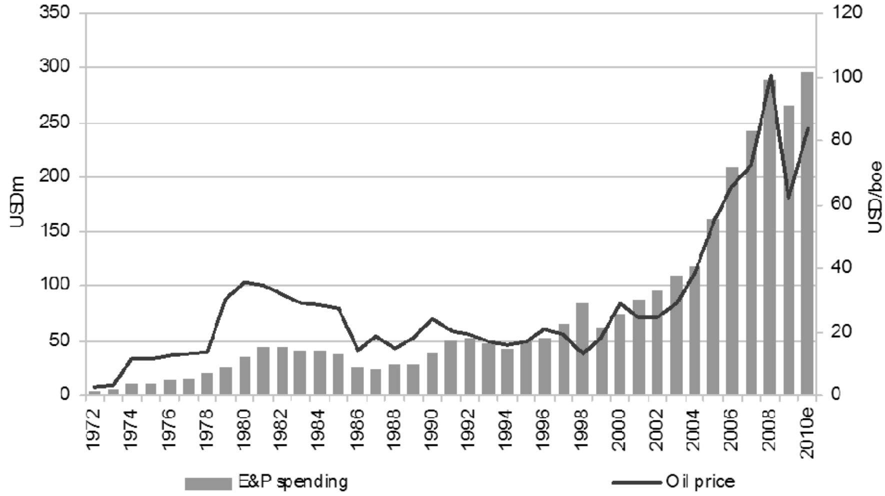
Oil companies spend resources in order to find, prove and develop hydrocarbon fields both onshore and offshore. The exploitation of offshore oil and gas fields require investment in production, storage, transportation and support infrastructure. The key drivers in E&P spending are the oil companies' need to replace reserves and develop proven fields in order to realise value. The oil price has an impact on the oil companies' ability and desire to invest in E&P spending.

Due to low prices of oil, the companies cut their E&P spending by approximately 8%[5] in 2009 relative to the 2008 spending level (source: Carnegie Research, May 2010). Crude oil prices (Brent blend) have gradually increased since they bottomed out at USD 38.45 per barrel in December 2008 and are now trading around USD 75 per barrel to USD 85 per barrel. At this price level, it is again attractive for oil companies to increase their exploration activities in order to find new oil resources. According to Carnegie Research' estimates, the oil companies' investment level is expected to increase by 11% in 2010.

[5] Upstream capex data from 55 selected oil companies (6 majors, 10 integrated, 34 independents and 5 National Oil Companies.

There has historically been a correlation between the change in oil prices and the change in E&P spending, as illustrated below.

Figure 12-4: Global E&P spending vs. oil price (1972-2010e)*



Source: Carnegie Research.
**The data material includes upstream capex figures for 55 oil companies (6 majors, 10 integrated, 34 independents and 5 National Oil Companies). Annual oil price is an average over 365 days.*

12.2 Floating Production Market

There are two main offshore production solutions currently in use – fixed installations and floating solutions. Fixed installations have traditionally been the preferred solution, and continue to dominate offshore field developments. However, floating production solutions are increasingly being used, driven by the need for cost effective development of deepwater fields and development of areas without sufficient infrastructure (e.g. West Africa, Brazil etc).

The floating production market can be roughly divided into four main segments:

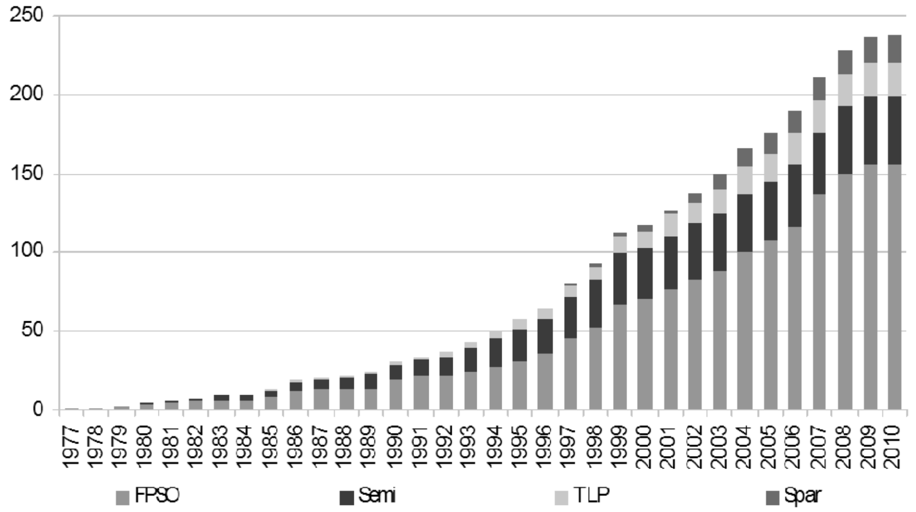
1. Floating production, storage and offloading ("FPSO")
2. Floating production semi submersibles
3. Tension leg platforms
4. Spars

Main geographical regions for floating production units are the GoM, Brazil, West-Africa, Asia Pacific and Europe. Each region has different characteristics in regards of water depth, infrastructure level, crude oil composition, weather conditions, customers etc. These factors imply that different production solutions will be optimal in different geographical regions. For example, Tension leg platforms have for a long time been the preferred solution in the GoM on water depths between 500 and 1,500 meters due to its' low cost, relative to other solutions, in production of crude oil with heavy and/or high paraffin levels where well maintenance is of high importance.

12.2.1 Supply of floating production units

The market for floating production solutions has grown from 31 to 235 units over the last two decades (excluding production barges and Floating Storage and Regas Units) (source: International Maritime Associates, Inc. ("IMA"), "*Floating Production Systems*", July 2010).

Figure 12-5: Development in the number of installed floating production units world wide*

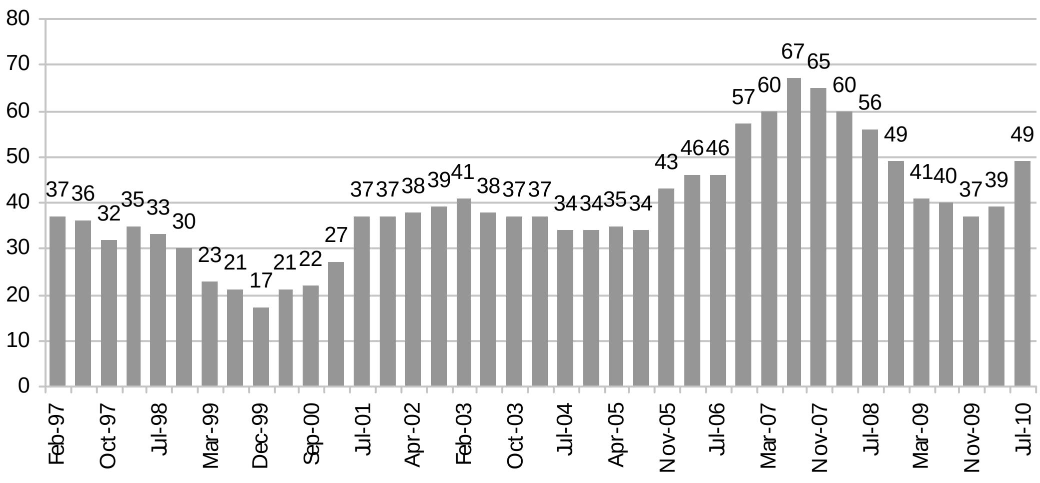


Source: IMA, "Floating Production Systems", July 2010.
**2010 figures are projections for year-end inventory.*

FPSO is the dominating solution in the floating production market, consisting of approximately 65% of the current fleet, and approximately 80% of the current 49 units on order.

As illustrated in figure 12-6 below, the order backlog for floating production systems reached its peak in mid-2007 and had a negative trend until March 2010 where there was a net increase of two units.

Figure 12-6: Development in order backlog for floating production systems

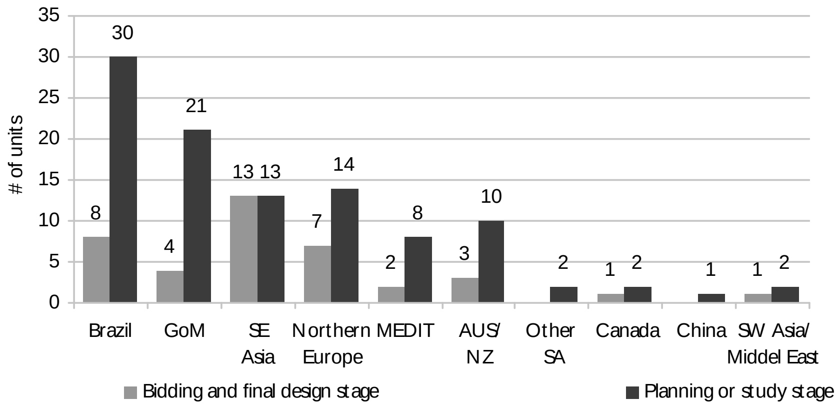


Source: IMA, "Floating Production Systems", July 2010.
**Includes FPSOs, Semis, Spars, TLPs, FSRUs and FLNGs.*

12.2.2 Demand for floating production units

IMA has identified 178 projects currently in the bidding, design or planning stage that would potentially require a floating production or storage system. Of these projects, 48 are currently in the bidding or final design stage and 130 projects are in a less mature stage of development. The projects in the bidding and final design stage are likely to start up within the next 12 to 24 months. The main growth in future demand is expected to come from Brazil, West Africa, the GoM and Northern Europe.

Figure 12-7: Floater projects in the planning pipeline



Source: IMA, "Floating Production Systems", July 2010.

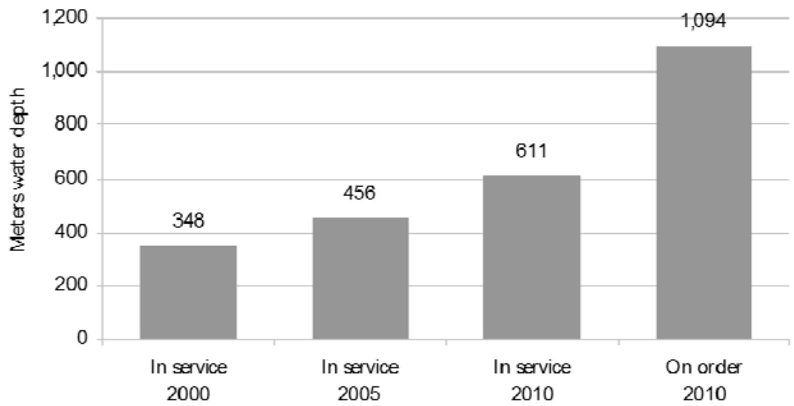
12.2.3 Trends in the floating production market

One of the main drivers of growth in the floating production market is the move to deepwater fields. Fixed platforms are economically feasible for installations on water depths up to approximately 500 meters. On water depths above this, the oil companies normally utilise floating production units. Out of the 178 projects in the planning pipeline, 48 are ultra-deepwater projects (i.e. more than 1,500 meters) and 33 are projects on water depth between 1,000 and 1,500 meters (source: IMA, *"Floating Production Systems"*, July 2010).

As illustrated in figure 12-8 below, the average water depth for floating production units has increased with 75% over the past decade. The trend is further evidenced by the large increase in average water depth for FPSOs currently on order. Average water depth for these FPSOs is 1,094 meters which is almost an 80% increase compared to the current fleet's average water depth (source: IMA, *"Floating Production Systems"*, March 2010).

The most prosperous areas for deepwater expenditure are expected to be in Brazil and the West African region.

Figure 12-8: Average project water depth of production floaters*



Source: IMA, "Floating Production Systems", March 2010.
**Data as of March each year.*

The trend towards deeper water may be adversely affected by the Deepwater Horizon accident in the GoM, as further explained in Section 2.3.1 "Environmental risks" and Section 12.3.6 "Trends in the FPSO market".

12.3 The FPSO Market

The first FPSO unit was installed in 1977 at the Castellon field in the Mediterranean. The market for FPSO solutions has recently expanded as a response to the oil companies' need for more flexible production solutions that could be quickly mobilised, required lower capital expenditures than fixed installations, had good storage capacity, could be deployed on deepwater fields, could be moved from one field to another and had low abandonment costs.

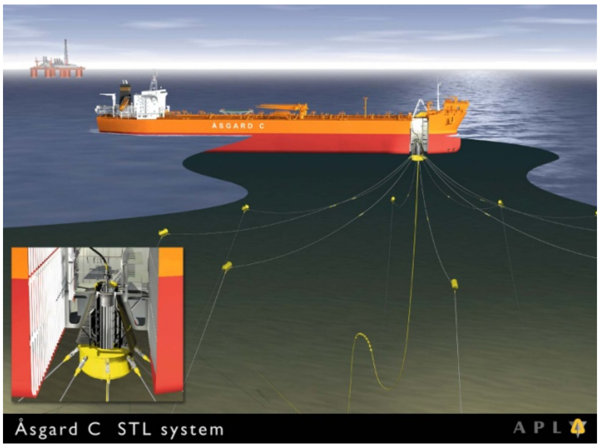
12.3.1 The FPSO units

The units are converted oil tankers with fitted topside production facilities and purpose built units with highly specialised functionality. The units have varying sizes - from a production capacity of 30,000 b/d for the smallest units to more than 250,000 b/d for the largest units.

The FPSO units are to a large extent tailor made for their environments. The FPSO's processing system is sensitive to variations in among other reservoir composition, temperature and pressure. Additionally, the fields' wave and weather conditions will influence what type of mooring system to be used on the unit. In benign waters, simple spread mooring is utilised, while a more complex turret mooring system has to be used in harsh environments. Two types of turret mooring systems exist; external and internal turret, where the latter is used in the harshest weather conditions. These turret mooring systems allow the FPSO to rotate around the turret, while the unit will be fixed in one position when spread moored.

Figure 12-9: Spread mooring

Figure 12-10: Turret mooring (internal)



Source: BW Offshore and APL.

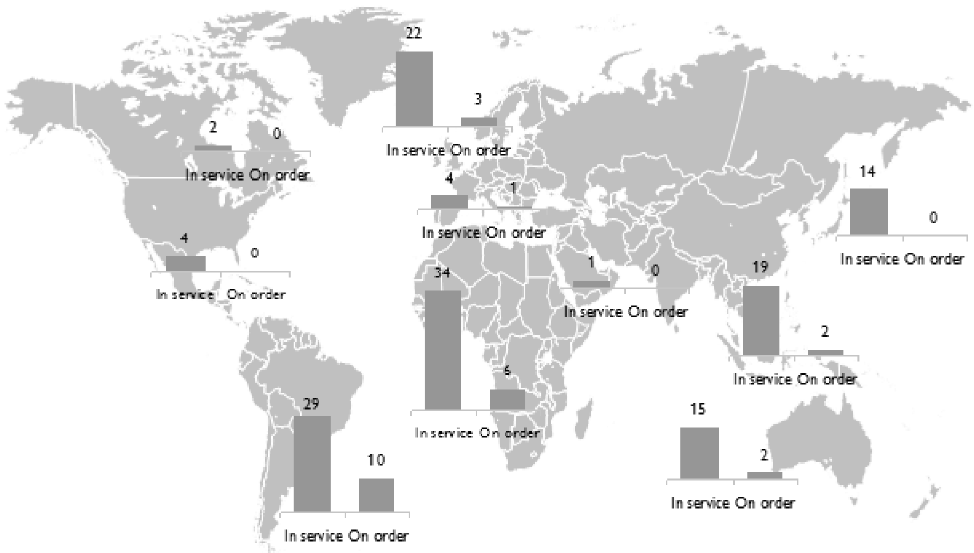
12.3.2 Supply of FPSOs

By year-end 2009, the total fleet in the market consisted of 155 FPSOs, and 28 FPSOs on order whereof seven are newbuildings and 21 are conversions.

The IMA estimates that the number of units will be unchanged at year-end 2010 due to scrapping of some units and removal of two FPSOs that have been taken from service to be modified for redeployment.

Figure 12-11 below illustrates the geographic dispersion of the units currently in service and on order. Brazil and West Africa are the two largest regions for FPSOs, followed by Europe and Asia Pacific. These regions are also expected to experience the largest growth in the coming years.

Figure 12-11: FPSO units in service and on order by geographic region*



Source: IMA, "Floating Production Systems", March 2010.
**Not shown in the bar charts are six FPSOs that are off-field and available for reuse. Also not included is an FPSO in China that is off-field for repair. Three of the four FPSOs in the GoM are offshore Mexico. The fourth FPSO (BW Pioneer) arrived at the US GoM on 27 March 2010. Not shown are also four FPSOs currently being built on speculation without a field contract.*

12.3.3 Demand for FPSOs

As described in Section 12.2.2 "Demand for floating production units" above, IMA has identified 178 projects in the planning pipeline that could require a floating production unit. Out of these projects, approximately 58% will need an FPSO solution, while another 14% could potentially utilise an FPSO. Additionally, some fields will need several production units, e.g. the Tupi field which will need two pilot units and six FPSOs for long term production.

Historical annual contract awards have averaged 14.5 units in the last four years. This figure is affected by the drought in the ordering of FPSOs from mid-2008 to mid-2009. In this period no new contracts were awarded. From the second half of 2009, the market started to improve and since then 13 new contracts have been awarded. Carnegie Research estimates 20 orders per year in 2010 and the two subsequent years.

Figure 12-12: FPSO contract awards 2006 – 2012e

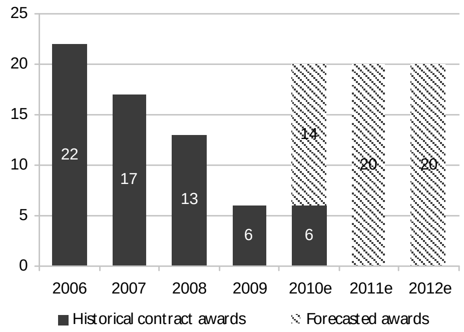
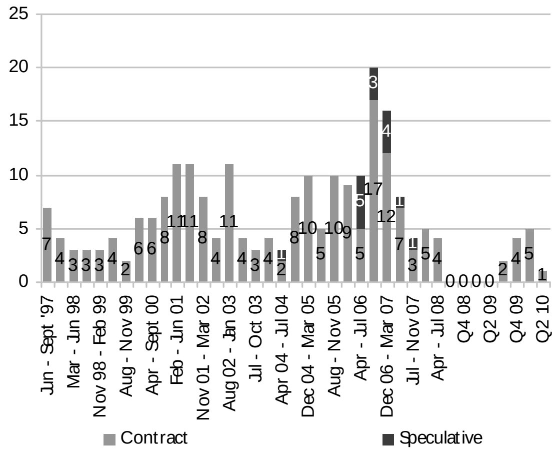


Figure 12-13: FPSO orders placed



Source: Carnegie Research.

12.3.4 Market players

The FPSO market consists of a limited set of relatively large players, and a larger group of smaller players. As each region differs in operating conditions and vessel requirements, the market can be divided into several geographical regions that effectively form separate market segments. There is a distinct difference between operations in the North Sea and rest of the world, with specific regulations applicable in the North Sea. Due to this difference, one does not typically find players present in both these segments. Also, there are differences with regards to strategy and services scope. The FPSO companies are to a different extent involved in design and engineering, construction and fabrication. The table below shows a selection of the players, including an illustration of how a combined BW Offshore and Prosafe Production entity would look like in terms of number of current FPSOs, including ongoing conversions and conversion candidates.

Figure 12-14: Overview of FPSO players

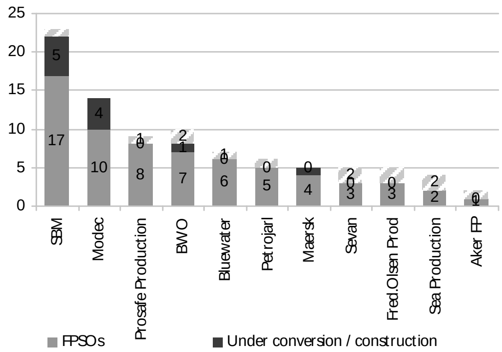
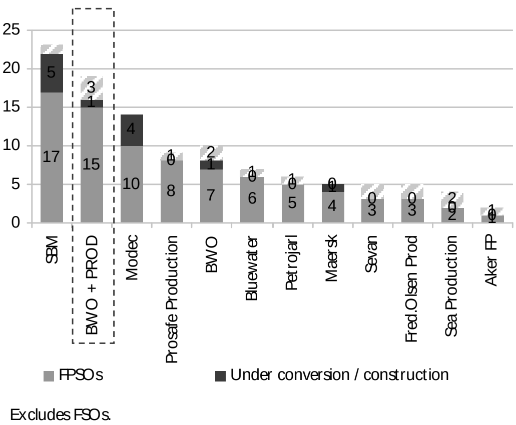


Figure 12-15: Illustration of a combined BW Offshore and Prosafe Production entity*



Source: Carnegie Research.
**Excludes FSOs and LOIs.*

12.3.5 Ownership models

The FPSO market can be divided in two broad segments based on ownership model – the "sale market" and the "lease market".

The "sale market" is where the oil companies acquire and operate the FPSO. This is typically done for very high capital expenditure projects and/or for fields where the unit is expected to be deployed for more than 10 to 15 years. In this model the oil companies capture the residual value of the unit. These engineering, procurement and construction contracts are advantageous for the independent FPSO contractors since it transfer financing-, construction- and operational risk to the oil companies.

The "lease market" is where independent lease contractors own and operate the FPSO, and lease it to the field operators. This market is typically focused on the small to midsize FPSO projects or where the field life is expected to be shorter. In this model the independent FPSO contractors will capture the residual value of the unit which can be used as a competitive tool in pricing leasing bids.

12.3.6 Trends in the FPSO market

In addition to the trends described in Section 12.2.3 "Trends in the floating production market" above, the FPSO market has experienced a trend from operator owned units towards contractor owned units. As the market for leased units has matured, focus on core business among oil companies has increased and smaller independent oil companies are more present in field developments. While 35% of the fleet in 1995 was operator owned, approximately 2/3 of the units on order will be owned by the contractors.

As the FPSO market expands and matures, there is a clear trend towards larger FPSOs and deeper waters. This will lead to greater expenses in technology and in turn will create higher barriers to entry.

The demand for FPSO and FSO services and the trend towards deeper water may be adversely affected by the Deepwater Horizon accident in the GoM. The oil spill, which is the largest in US history, has led to discussions around the safety of moving exploration and production into deeper water and it is expected that there will be stricter governmental regulations going forward. The trend of increasing requirements from clients in terms of technical competence, scope and investments per unit is expected to accelerate in the aftermath of the accident. See also Section 2.3.1 "Environmental risks".

12.3.7 Redeployment

Following field depletion, the FPSOs can be modified and redeployed at another field. As the market for FPSO solutions is relatively young, there has been little need for redeployment of units. However, as the FPSO market matures, redeployment of existing units becomes increasingly important. In the last five years, redeployment has counted for 14% of FPSO contracts. Numerous technical issues influence the economics of FPSO redeployment. Redeployment offers significant advantages in reduced delivery time and lower construction risk relative to new conversions. On the other hand, redeployment might be an expensive option due to the different field characteristics as discussed in Section 12.3.1 "The FPSO units" above.

13 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

13.1 Board of Directors

As of the date of this Offer Document, the Board of the Company consists of the following members:

Table 13-1: Board of the Company

Name	Position	Director since	Expiry of term
Dr. Helmut Sohmen	Chairman	2006	2011
Christophe Pettenati-Auzière	Deputy Chairman	2006	2012
Andreas Sohmen-Pao	Director	2005	2012
René Huck	Director	2006	2011
David Gairns	Director	2006	2012
Kathie Child-Villiers	Director	2006	2011
Maarten R. Scholten	Director	2010	2011

The appointment of Mr. Maarten R. Scholten will need to be ratified by the next general meeting of BW Offshore.

Dr. Helmut Sohmen, Chairman, born 1939, has served as Chairman of the Board since 2005. He has been an executive and board member of companies within the family-owned former World-Wide Shipping group since 1970, and chairman since 1986. He was previously President of the Baltic and International Maritime Council, Chairman of the International Maritime Industries Forum, Chairman of the Hong Kong Shipowners Association, Chairman of The International Tanker Owners Pollution Federation, and served as a committee member of several P+I Clubs. He holds three law degrees from Austrian and American universities and two honorary doctorates. Dr. Sohmen lives in Hong Kong.

Dr. Sohmen's direct and indirect shareholding in the Company is set out in Section 15.4 "Major Shareholders".

Christophe Pettenati-Auzière, Deputy Chairman, born 1952, was President of Geophysical Services with Compagnie Générale de Géophysique (CGG) in Paris until 2008. He served with CGG from 1996, holding several senior management positions in the group. Before joining CGG, Mr. Pettenati-Auziere worked with Coflexip for 14 years, where his last position was as Corporate Vice President, International and Industrial Operations. Before Coflexip, Mr. Pettenati-Auziere has also worked for Exxon and Schlumberger. Mr. Pettenati-Auziere holds a Master of Science in Electrical Engineering from Institut National Polytechnique de Grenoble, France. He also holds an MBA from INSEAD, Fontainebleau, France. Mr. Pettenati-Auziere lives in Paris, France. Mr Pettenati-Auziere is independent from the Company's management, major shareholders and principal business associates.

Mr. Pettenati-Auziere does not hold any Shares in the Company.

Andreas Sohmen-Pao, Director, born 1971, is Chief Executive Officer of BW Maritime and BW Gas. He is also a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and sits on the boards of the Maritime and Port Authority of Singapore and the Esplanade Co. Ltd. Mr. Sohmen-Pao holds a double first class honours degree (B.A. Hons) from Oxford University and an MBA with distinction from Harvard Business School. Mr. Sohmen-Pao is the son of Dr. Helmut Sohmen (Chairman) and lives in Singapore.

Mr. Sohmen-Pao's direct and indirect shareholding in the Company is set out in Section 15.4 "Major Shareholders".

René Huck, Director, born 1947, is a member of the board of directors of Eurasia Drilling Company. Mr. Huck is recently retired from Schlumberger where he has held a variety of senior positions over the last 15 years, most recently as Vice-President QHSE and Industry Affairs. Before joining Schlumberger, Mr. Huck was CEO of the drilling contractor Techfor – Cosifor. Prior to that, he worked 16 years as an engineer and operations manager at TOTAL. Mr. Huck is a Mechanical Engineer from Ecole Centrale in Nantes, France and a Petroleum Engineer from the French Petroleum Institute in Paris, France. Mr. Huck lives in London, UK. Mr. Huck is independent from the Company's management, major shareholders and principal business associates.

Mr. Huck does not hold any Shares in the Company.

David Wylie Gairns, Director, born 1936, is a UK Chartered Accountant who spent his entire professional life with KPMG, retiring in 1991 as the senior partner of the Hong Kong firm. He is a past president of the Hong Kong Society of Accountants. He spent 40 years of his working life in Hong Kong and from 1991 to 2002 he acted as non-executive director and chairman of the audit committee of a number of public companies in Hong Kong including The Hongkong and Shanghai Banking Corporation Limited and the Mass Transit Railway Corporation. He is currently an independent non-executive director and chairman of the audit committee of Edinburgh Dragon Trust Limited, an investment company listed on the London Stock Exchange. Mr. Gairns lives in the United Kingdom. Mr. Gairns is independent from the Company's management, major shareholders and principal business associates.

Mr. Gairns does not hold any Shares in the Company.

Kathie Child-Villiers, Director, born 1965, is a Managing Director of HSBC Bank plc, Resources & Energy Group. Prior to joining HSBC she was a Managing Director at Merrill Lynch in the Energy & Power Group. Ms. Child-Villiers has also worked with Bear, Stearns & Co and Drexel Burnham Lambert. Ms. Child-Villiers has during her 18 year career advised on a number of significant mergers, acquisitions, privatisations and related financing transactions in the European Utilities landscape. Ms. Child-Villiers holds an International M.B.A. from the Rotterdam School of Management (Erasmus University) and holds a B.S. in Economics from Dartmouth College, Hanover, USA. Ms. Child-Villiers lives in London, UK. Ms. Child-Villiers is independent from the Company's management, major shareholders and principal business associates.

Ms. Child-Villiers does not hold any Shares in the Company.

Maarten R. Scholten, Director, born 1954, is an independent consultant in the energy sector and has nearly 30 years of extensive legal and financial experience from the oil service industry, whereof 20 years in senior and executive positions at Schlumberger Ltd. 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 lives in Amsterdam, the Netherlands. Mr. Scholten is independent from the Company's management, major shareholders and principal business associates.

Mr. Scholten does not hold any Shares in the Company.

There are no employee representatives at the Board.

The members of the Board do not hold any options or rights to Shares in the Company.

The business address of all the members of the Board is that of BW Offshore.

13.2 Management

As of the date of this Offer Document, the management of the Company consists of the following members:

Carl K. Arnet, CEO, born 1956, holds the position as Chief Executive Officer of BW Offshore. He has been employed as the CEO of BW Offshore since 1 September 2008 and the CEO 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). Carl K. Arnet is a board member of Nexus Floating Production in addition to holding a number of other board memberships and chairmanships in companies not related to the oil and gas sector.

Mr. Arnet holds directly or indirectly 5,872,139 Shares in BW Offshore.

Knut R. Sæthre, CFO, born 1964, joined BW Offshore in December 2007 as Chief Financial Officer. He came from the position as CFO of APL. Mr. Sæthre has his background within finance and the offshore industry, and has 20 years of international experience. He was previously employed by Aker Solution and ABB, holding several executive positions, like Senior Vice President and CFO. Mr. Sæthre 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 directly or indirectly 282,285 Shares in BW Offshore.

Tom Arne Kristiansen, EVP Technology, born 1963, is Executive Vice President Technology. His areas of responsibility are FPSO business development, project management, technical division and FLNG. He joined Bergesen in 2002 and has since served positions as Director – Technical Division, Topsides Manager and Engineering Manager. Before joining Bergesen, he worked for ABB Offshore System as Lead Process Engineer and Engineering Manager. He has a Master of Science (M.Sc.) in Mechanical Engineering from the Norwegian Institute of Technology in Trondheim (NTNU).

Mr. Kristiansen holds directly or indirectly 118,006 Shares in BW Offshore.

David Sverre, EVP Projects, born 1955, is Executive Vice President Projects in BW Offshore. He comes from the position as Operations Director for APL ASA where he has been since 2006. Mr. Sverre has many years of experience as Executive Vice President for Constructions and Operations for Technip USA. He also has extensive experience from construction and project management, and serves as a Director on the board of directors of the Gulf Island Fabrication Group. Mr. Sverre has a Bachelor of Applied Science in Civil Engineering from University of British Columbia.

Mr. Sverre holds directly or indirectly 137,639 Shares in BW Offshore.

Jon Myran, EVP Operations, born 1951, is Executive Vice President Operations. He is responsible for the operations, the technical support and the modifications of all FPSOs as well as of offshore personnel. He comes from the position as Peregrino Operation Manager for StatoilHydro. He has more than 28 years of experience from Norsk Hydro / StatoilHydro whereof 12 years within Operations including 7 years offshore as Offshore Installation Manager at Troll B and Troll C. He does also have broad experience from projects and technology development. Mr. Myran has a Master of Science in Chemical Engineering from the Norwegian Institute of Technology (NTNU) and various courses in leadership.

Mr. Myran holds directly or indirectly 30,000 Shares in BW Offshore.

Erik Svendsen, EVP APL, born 1971, is Executive Vice President APL. He joined Bergesen in 1995 and has since held positions as Director - Project Management, General Manager Projects Management, Project Manager, Engineering Manager as well as having served as superintendent, worked onboard FPSOs, bulk, gas and oil tankers. He has a Master of Science (M.Sc.) in Marine Engineering from the Norwegian Institute of Technology in Trondheim (NTNU).

Mr. Svendsen holds directly or indirectly 95,830 Shares in BW Offshore.

The business address of all the members of the management is that of BW Offshore.

The members of the management have no options or rights to Shares in the Company.

13.3 Benefits Upon Termination

There are no agreements with the members of the Board of Directors for compensation after tenure. There is a severance programme for the management in addition to a general six months term of notice. This gives the management the right to compensation after termination of employment before retirement that equals 100% of salary for a maximum of 18 months. Compensation received from other employers during this period reduces this compensation, but not below 25% of the compensation. The CEO has a similar agreement with a maximum of 24 months compensation.

Except for as set out above, none of the service contracts of the members of the administrative, management or supervisory bodies of the BW Offshore Group provide for benefits upon termination of employment.

13.4 Employees

The table below sets out the number of permanent employees of the Company as of 30 June 2010 by geographical location:

Table 13-4: Permanent employees of BW Offshore

As of 30 June 2010			
Location	**Onshore**	**Offshore**	**Total**
Brazil	20	90	110
China	8	0	8
France	3	0	3
US	18	91	109
Mauritania		88	88
Mexico	16	115	131
Nigeria	11	50	61
Norway	278	0	278
Russia	0	0	0
Singapore	78	0	78
UK	5		5
Conversion conidates	0	57	57
Project sites/other locations	0	15	15
Total	**437**	**506**	**943**

14 CORPORATE GOVERNANCE

14.1 Compliance with Corporate Governance Recommendations

The Company and its activities are primarily governed by the Bermuda Companies Act, its Memorandum of Association and its Bye-Laws. Certain aspects of the Company's activities are governed by Norwegian law pursuant to the listing agreement between Oslo Børs and the Company and the Norwegian Securities Trading Act, e.g. the provisions regarding mandatory offer obligations in Chapter 6 of the Norwegian Securities Trading Act.

The Board of Directors is of the opinion that the best interests of the Company, and its shareholders taken as a whole, are best served by the adoption of business policies and practices which are legal, compliant, ethical and open in relation to all dealings with customers, potential customers and other third parties. These policies are fair and in accordance with best market practice in relationships with employees and are also sensitive to reasonable expectations of public interest.

The Board therefore commits the Company to good corporate governance, and has adopted the revised version - 21 October 2009 - of the Norwegian Code of Practice for Corporate Governance issued on 4 December 2007 (the "Code"), prepared by the Norwegian Corporate Governance Board. Adherence to the Code is according to a "comply or explain" principle. A full account for the corporate governance of the Company is provided in the annual report of BW Offshore for 2009, incorporated by reference, see Section 19.3 "Incorporation by Reference" (see further www.newsweb.no). Except as set forth below, BW Offshore complies with the Code.

- Pursuant to the Company's Bye-Laws, the Board is authorised to alter the share capital in a manner permitted by the Bermuda Companies Act, and purchase its own Shares in accordance with the Bermuda Companies Act. These authorities are wider than recommended by the Code.

- In general, the shares in the Company are freely transferable. However, the Board of Directors may in its absolute discretion and without assigning any reason refuse to register the transfer of a Share that it is not fully paid. The directors may also refuse to recognise an instrument of transfer of a Share unless it is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as the Board of Directors shall reasonably require. Subject to these restrictions, a holder of Shares may transfer the title to all or any of his or hers Shares by completing a form of transfer in the form set out in the Bye-Laws (or as near thereto as circumstances admit) or in such other common form as the Board of Directors may accept. The instrument of transfer must be signed by the transferor and transferee, although in the case of a fully paid Share the directors may accept the instrument signed only by the transferor. 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 pursuant to Norwegian tax legislation.

- Notice of a shareholder meeting will normally be sent at least 14 days before the general meeting takes place, which is shorter than the recommended 21 days under the Code.

- Currently, the Company has seven Board members, with one female director. The composition of the Board does not meet the recommended gender guidelines of the Code applicable to Norwegian companies, but meets the Company's need for expertise and diversity.

14.2 Committees

14.2.1 Nomination and compensation committee

The Company has a nomination and compensation committee consisting of Andreas Sohmen-Pao and René Huck. The committee nominates persons for appointment as members of the Board and makes proposals for their compensation. The nomination and compensation committee also considers the management's performance and gathers information from comparable companies before making its recommendation to the Board for approval of the management's remuneration.

14.2.2 Audit committee

The Company has an audit committee consisting of David Gairns and Kathie Child-Villiers. The audit committee has quarterly reviews of the BW Offshore Group's financial reporting in addition to two meetings in which internal control issues are addressed specifically.

15 SHARE CAPITAL AND SHAREHOLDER MATTERS

15.1 The Shares

15.1.1 General

The following description of the Company's share capital and shareholders matters is based on, and qualified in its entirety, by reference to the full text of the Bye-Laws.

15.1.2 Share capital

As of the date of this Offer Document, the authorised share capital of the Company is USD 5,000,000 divided into 500,000,000 Shares with a par value of USD 0.01 per Share. The Company's issued share capital is USD 4,562,135.15, consisting of 456,213,515 Shares, fully paid and with a par value of USD 0.01 per Share. There are no share options issued by the Company.

Upon completion of the Exchange Offer, the Company's issued share capital will be USD 6,893,360.44, consisting of 689,336,044 Shares fully paid with par value of USD 0.01 per Share, assuming that all Prosafe Production shareholders accept the Exchange Offer set forth herein.

15.1.3 Share rights

All issued Shares are vested with equal shareholder rights in all respects. Pursuant to the Bye-Laws, subject to the requirements of any stock exchange on which the Company's Shares are listed and to any resolution of the shareholders to the contrary, the Company's Board of Directors is authorised to issue any of our authorised but unissued Shares. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote BW Offshore's Shares.

Holders of the Shares have no pre-emptive, redemption or conversion rights. In the event of the Company's liquidation, dissolution or winding up, the holders of the Shares are entitled to share equally and rateably in its assets, if any, remaining after the payment of all of its debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

Pursuant to Bermuda law and the Bye-Laws, the Company's Board of Directors may by resolution establish one or more series of preference Shares having such number of Shares, designations, dividend rates, relative voting rights, conversion or exchange rights, redemption rights, liquidation rights and other relative participation, optional or other special rights, qualifications, limitations or restrictions as may be fixed by the Board without any further shareholder approval.

Dividend rights

Under Bermuda law, a company's board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realisable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts. Under the Bye-Laws, each Share is entitled to dividends if, as and when dividends are declared by its Board, subject to any preferred dividend right of the holders of any preference shares. 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 Norwegian residents who are holders of the Shares.

Variation of class rights

If at any time the Company has more than one class of shares, the rights attaching to any class, unless otherwise provided by the terms of issue of the shares of that class, may be varied either: (i) with the consent in writing of the holders of 75% of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing by proxy one-third of the issued shares of the relevant class is present. The Bye-Laws specify that the creation or issue of Shares ranking equally with existing Shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing Shares.

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. The beneficial owners of Shares registered in the VPS system must exercise any rights of ownership relating to the Shares, including all voting rights attached to the Shares, by instructing the Registrar as the registered holder of the Shares accordingly. Unless a different majority is required by law or by the Bye-Laws, any question proposed for the consideration of the shareholders at a 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 case of an equality of votes the resolution shall fail. No Bye-Laws shall be rescinded, altered or amended unless the same shall have been proposed and approved by resolution of the directors and by a resolution of the shareholders passed in accordance with the Bye-Laws.

Restrictions on transfer of Shares

Generally a transfer of shares of a Bermuda company requires prior approval of the Bermuda Monetary Authority ("BMA"), however, so long as BW Offshore has its shares listed on the Oslo Stock Exchange (or any other Appointed Stock Exchange as defined by the BMA) then a general permission exists under a BMA issued policy and accordingly BMA approval is not required for a transfer of shares of BW Offshore.

The Bye-Laws of BW Offshore and the Companies Act 1981, Bermuda, contain restrictions on transfer of shares as follows:

a) Bye-Law 12.1 - Bye-Law 12.3: The Board of Directors may decline to register a transfer unless an instrument of transfer is signed by the transferor and transferee and lodged with the Company, provided that in the case of a fully paid share, the Board may accept the instrument signed by the transferor alone. The Board may refuse to recognize any instrument of transfer unless it is accompanied by the share certificate. Furthermore, the Companies Act provides that it shall not be lawful for the Company to register a transfer unless a proper instrument of transfer has been delivered to the Company.

b) Bye-Law 12.5: The Board of Directors may in its absolute discretion and without assigning any reason refuse to register a transfer of a share which is not fully paid. The Board shall refuse to register a transfer unless all applicable consents, authorizations and permissions of any governmental body or agency in Bermuda have been obtained (e.g. consent from BMA).

c) Bye-Law 12.7: The Board of Directors may refuse to register a transfer 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 connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to the Norwegian tax legislation.

The above restrictions on transfer contained in the Bye-Laws relate to the transfer of the registered ownership in the Shares and not the beneficial ownership traded through the VPS.

15.1.4 Registration of the Shares

The Company's register of members is maintained in Bermuda at the Company's registered office at Clarendon House, 2 Church Street, Hamilton, Bermuda.

All Shares admitted to trading on Oslo Børs must be registered in the VPS, which is Norway's paperless centralised securities registry. To achieve compatibility of the requirements of Bermuda company law as to the registration and transfer of Shares with Norwegian requirements, the Shares will for the purpose of Bermuda company law, be entered in the Company's register of members in the name of the Registrar, which will hold such Shares as nominee on behalf of the beneficial owners. For the purpose of enabling trading in the Shares on Oslo Børs, the Company will maintain a register in the VPS operated by the Registrar as the Company's account operator, where the beneficial ownership interests in and transfer of the beneficial ownership interests in the Shares will be recorded. These arrangements are set out in a Registrar Agreement dated 24 April 2006 (the "Registrar Agreement").

In accordance with market practice in Norway and system requirements of the VPS and Oslo Børs, the investors will be registered in the VPS as beneficial owners of the Shares and the instruments listed and traded on Oslo Børs will be referred to as Shares in the Company. For the purpose of Bermuda law, the Registrar will, however, be regarded as the owner of the Shares and investors registered as owners of the Shares in the VPS will have to exercise, indirectly through the Registrar as their nominee, all rights of ownership relating to the Shares. The investors registered as owners in the VPS must look solely to the Registrar for the payment of dividends, for the exercise of voting rights attached to the Shares, and for all other rights arising in respect of the Shares. The Registrar Agreement provides that whenever the Registrar receives any notice, report, accounts, financial statements, circular or other similar document relating to the Company's affairs, including notice of a shareholders meeting, the Registrar shall ensure that a copy of such document is promptly sent to the investors registered as owners in the VPS, along with any proxy card form or other relevant materials.

Either the Company or the Registrar may terminate the Registrar Agreement with three months prior written notice or immediately upon written notice of any material breach of the Registrar Agreement. The Registrar may terminate the Registrar Agreement on the Company's failure to fulfil payment obligations or any other material breach of the Registrar Agreement. In the event the Registrar Agreement is terminated, the Company will use its reasonable best efforts to enter into a replacement agreement for the purposes of permitting the uninterrupted listing of the Shares on Oslo Børs. 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, adversely affect the listing of the Shares on Oslo Børs. If the Registrar Agreement is terminated and not replaced, the Registrar will cooperate with investors to have their Shares directly registered in the Company's register of members.

The Registrar has disclaimed any liability for any loss attributable to circumstances beyond the Registrar's control. The Registrar has also disclaimed liability for any losses suffered as a result of the VPS' errors or negligence except to the extent the Registrar may hold the VPS liable for such losses. The VPS is liable for any economic loss resulting from an error in connection with its registration activities unless the error is caused by matters outside the control of the VPS and which the VPS could not reasonably be expected to avoid or of which the VPS could not reasonably be expected to overcome the consequences. The courts may reduce or set aside the VPS' liability if the person who has suffered the loss has contributed to the loss wilfully or negligently.

The Shares are registered with the VPS under the International Securities Identification Number (ISIN) BMG 11 90 N1002.

The Company's registrar with the VPS is DnB NOR Bank ASA Verdipapirservice, Stranden 21, 0250 Oslo, Norway.

15.2 Outstanding Authorisations

15.2.1 Authorisation to issue Shares

Pursuant to the Bye-Laws and the Bermuda Companies Act, the Company's authorised share capital may be increased by approval of the shareholders and directors. Subject to the Bye-Laws and to any resolution of the shareholders to the contrary, the Board may issue any of its authorised but un-issued Shares.

The shareholders of BW Offshore have no pre-emptive rights upon the Company's issue of new Shares.

15.2.2 Repurchase of Shares

Pursuant to the Bye-Laws and the Bermuda Companies Act, the Company may purchase its own Shares in accordance with the provisions of the Bermuda Companies Act on such terms as the Board shall think fit, provided that Shares so purchased must be cancelled and are returned to the Company's authorised and un-issued share capital.

Historical development in share capital and number of Shares

The table below shows the historical development of share capital and the number of issued and outstanding Shares in the Company:

Table 15-2: Historical development in share capital and number of Shares

Year	Type of change in share capital	Change in authorised share capital	Par value per Share (USD)	Total authorised capital	Total issued share capital (USD)	Total number of issued Shares following share issue
2005	Incorporation	12,000	0.01	1,200,000	12,000.00	1,200,000
2006	Increase in authorised share capital	2,488,000	0.01	2,500,000	12,000.00	1,200,000
2006	Debt conversion	N/A	0.01	2,500,000	1,200,000.00	120,000,000
2006	Private placement	N/A	0.01	2,500,000	1,989,473.68	198,947,368
2006	Private placement	N/A	0.01	2,500,000	2,050,657.89	205,065,789
2007	ESOP	N/A	0.01	2,500,000	2,063,949.84	206,394,984
2007	Private placement	N/A	0.01	2,500,000	2,500,000.00	250,000,000
2007	Increase in authorised share capital and consideration Shares in acquisition	2,500,000	0.01	5,000,000	2,605,661.48	260,566,148
2007	Consideration Shares in acquisition	N/A	0.01	5,000,000	2,649,747.50	264,974,750
2007	Private placement	N/A	0.01	5,000,000	4,379,186.39	437,918,639
2007	Consideration Shares in acquisition	N/A	0.01	5,000,000	4,562,135.15	456,213,515

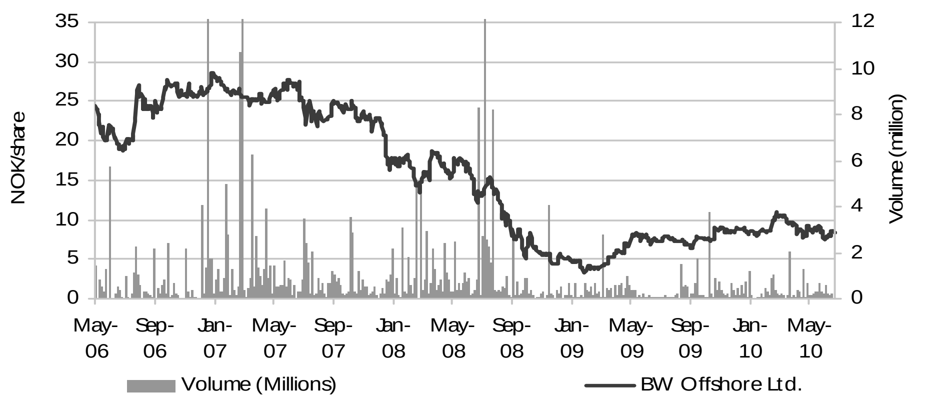
Since 2007, there have been no changes to the share capital or number of issued and outstanding Shares in the Company.

15.3 Share Price Development

The Shares have been listed on Oslo Børs since 31 May 2006 under the ticker code “BWO”.

The figure below sets forth the price and trading volume of the Shares on Oslo Børs during the period indicated.

Figure 15-3: Price and trading volume of the Shares from 31 May 2006 to 23 July 2010



Source: Factset as of 23 July 2010

15.4 Major Shareholders

As of the date of this Offer Document, only one shareholder of the Company owns an interest in the Company which is notifiable under the Norwegian Securities Trading Act (5% or more): BW Group 305,436,227 Shares (66.95%). The Company is accordingly controlled by BW Group. BW Group is approximately 93% owned by companies controlled by corporate interests associated with the Sohmen family. BW Group owns approximately 66.95% of the outstanding Shares in the Company. Accordingly, the Sohmen family indirectly controls the majority of the Company’s Shares and will effectively control the outcome of matters on which the Company’s shareholders are entitled to vote. Dr. Helmut Sohmen is the Chairman and his son Andreas Sohmen-Pao is a director of the Board of BW Offshore.

All the Shares are registered with the VPS, however, the register of members is maintained in Bermuda, see Section 15.1.4 "Registration of the Shares" above.

The members of the management and the Board, excluding the Chairman Helmut Sohmen and the director Andreas Sohmen-Pao, currently own approximately 1.43% of the Shares, see Sections 13.1 "Board of Directors" and 13.2 "Management" above. In addition, the Sohmen family, represented by the Chairman Helmut Sohmen and the director Andreas Sohmen-Pao, has indirect interests in the Company as set out above.

BW Offshore is not aware of any other person or company having an interest in the Company's Shares which is notifiable under Bermuda law.

15.5 Shareholder and Dividend Policy

The Company shall aim at making the Shares an attractive investment object. BW Offshore shall provide its shareholders with a competitive return on investment over time, in terms of dividend and development in the share price. The amount of any dividends to be distributed will be dependent on, inter alia, the Company's investment requirements, amount of debt and rate of growth. The Company's target is that the underlying values shall be reflected in the share price.

There have been no further dividend payments for the period covered by the financial accounts, other than those described in Section 8 "Selected Consolidated Financial Information" above.

BW Offshore shall be managed based on principles that seek to ensure openness, integrity and equal treatment of shareholders.

The Company will continuously provide shareholders, Oslo Børs and the market as a whole with information on the Company. Such information will take the form of annual reports, quarterly reports and, when appropriate, press releases and investor presentations. Furthermore, the Company will seek to treat all shareholders equally in line with applicable regulations.

The Company currently has only one class of issued Shares and the Shares are freely transferable as long as the Company continues to have its Shares listed on an appointed stock exchange, as defined in the Bermuda Companies Act. Oslo Børs is an appointed stock exchange. Furthermore, see a description of ownership limitations in connection with the Shares described in Section 15.6 "Ownership Limitations" below.

15.6 Ownership Limitations

The Bye-Laws do not contain any provisions imposing any limitations on the ownership of or the tradability of interests in the Shares traded in the VPS system, save that 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. Furthermore, the Board shall refuse to register a transfer of any Share unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained and may in its absolute discretion refuse to register the transfer of a Share that is not fully paid. The Company currently has all required Bermuda governmental consents for the transfer of beneficial interests in the Shares in the VPS system.

15.7 Shareholder Agreements and Lock-up Agreements

The Company is not aware of any shareholder agreements or lock-up agreements among the Company's shareholders.

15.8 Certain Provisions of the Company's Bye-Laws, Memorandum of Association and Bermuda Law

15.8.1 General

The objects for which the Company is formed and incorporated are:

To act and to perform all the functions of a holding company in all its branches and to co-ordinate the policy and administration of any subsidiary company or companies wherever incorporated or carrying on business or of any group of companies of which the Company or any subsidiary company is a member or which are in any manner controlled directly or indirectly by the Company;

To act as an investment company and for that purpose to acquire and hold upon any terms and, either in the name of the Company or that of any nominee, shares, stock, debentures, debenture stock, ownership interests, annuities, notes, mortgages, bonds, obligations and securities, foreign exchange, foreign currency deposits and commodities, issued or guaranteed by any company or partnership wherever incorporated, established or carrying on business, or by any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, by original subscription, tender, purchase, exchange, underwriting, participation in syndicates or in any other manner and whether or not fully paid up, and to make payments thereon as called up or in advance of calls or otherwise and to subscribe for the same, whether conditionally or absolutely, and to hold the same with a view to investment, but with the power to vary any investments, and to exercise and enforce all rights and powers conferred by or incident to the ownership thereof, and to invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may be from time to time determined;

To carry on the business of owners of floating production storage and offloading vessels and/or floating storage and offloading vessels and generally of a shipping company in all its branches;

To purchase, sell, exchange, charter, sub-charter, own, lease, pledge, operate, build, repair and otherwise deal in and with floating production storage and offloading vessels, floating storage and offloading vessels, ships and vessels of any kind;

To carry on business as shipping, chartering, and bunkering agents, shippers and commission agents;

To acquire by purchase or otherwise, buy, own, hold, create, market, design, assemble, manufacture, repair, lease, hire, let, sell, dispose of (with or without consideration or benefit), maintain, improve, develop, manage, invent, build, construct, operate, package and otherwise trade, invest or deal in and with products, financial instruments, goods, and real and personal property of all kinds whatsoever and wheresoever situated, and enter into arrangements for or with respect to any of the foregoing;

To perform, provide, procure, market and deal in services and undertakings of all kinds;

To advise and act as consultants and managers of all kinds and, without limiting the generality of the foregoing, to provide investment and financial advice, consultation and management services;

To research, create, develop, invent, improve, discover, design, collate and draft original works, software, inventions, designs, concepts, formulas, processes, strategies, methodologies and the like, and acquire, build, own, hold, sell, lease, license, dispose of (with or without consideration or benefit), market, franchise, and otherwise exploit and deal in or with all intellectual and intangible property rights pertaining thereto whether registered or not, including but not limited to trade and service marks, trade names, copyrights, computer software, inventions, designs, patents, provisional patents, utility models, trade secrets, confidential information, know how, get-up and any other rights and privileges vesting in or attaching thereto;

To explore for, drill for, mine for, quarry for, move, transport, and refine metals, minerals, fossil fuel, petroleum, hydrocarbon products including, without limiting the generality of the foregoing, oil and oil products, and precious stones of all kinds and to prepare the same for sale or use;

To enter into any guarantee, contract of indemnity or suretyship and to assure, support or secure with or without consideration or benefit the performance of any obligations of any person or persons and to guarantee the fidelity of individuals filling or about to fill situations of trust or confidence;

To own, manage, operate, act as agents with respect to, build, repair, acquire, own, sell, charter, or deal in ships and aircraft;

To lend to or deposit with any person funds, property or assets and to provide collateral or credit enhancement for loans, leasing or other forms of financing, with or without consideration or benefit;

To create, enter into, undertake, procure, arrange for, acquire by purchase or otherwise, buy, own, hold, sell or otherwise dispose of (with or without consideration or benefit), trade, invest and or otherwise deal in, whether on a speculative basis or otherwise, all and or any kind of (including without limitation all and or any combinations of and all and or any rights or interests under) instrument, agreement, contract, covenant and undertaking, including without limiting the generality of the foregoing, derivative instrument, agreement or contract, option, swap option contract, bond, warrant, debenture, equity, forward exchange contract, forward rate contract, future, hedge, security, note, certificate of deposit, unit, guarantee and or financial instruments; and

To carry on any trade or business which can, in the opinion of the Board of Directors, be advantageously carried on by the Company.

The Company's objects are listed in paragraph 6(1) – (15) in the Company's Memorandum of Association.

15.8.2 General meeting

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 shall appoint. The president, the chairman or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary. The Board shall, on the requisition of 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 of the Company.

At least 14 days' written 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 days' written notice of a special general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time and the general nature of the business to be considered at the meeting. The Board 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 telephone, electronic or other communication facilities as permits 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.

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 provided that if the Company shall at any time have only one shareholder, that shareholder present in person or by proxy shall form a quorum for the transaction of business.

Subject to the provisions of 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.

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 the 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.

Bermuda law provides that the Memorandum of Association may be amended by a resolution passed at a general meeting of shareholders. BW Offshore's Bye-Laws provide that 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 shareholders. In addition, 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% of the directors then in office and by a resolution of the shareholders including the affirmative vote of not less than 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 value of the 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 Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within twenty-one 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.

15.8.3 Board and management

The Bye-Laws include a number of provisions with respect to the Company's Board of Directors and management.

Election and removal of Directors

The Board shall consist of such number of directors being not less than two directors and not more than such maximum number of directors, as the shareholders may from time to time determine. The Board shall be elected or appointed at the annual general meeting of the shareholders or at any special general meeting of the shareholders called for that purpose.

The directors shall hold office for such term as the shareholders may determine.

Subject to any provision to the contrary in the Bye-Laws, the shareholders that are 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.

Remuneration of directors

The remuneration (if any) of the directors shall be determined by the Company in general meeting. BW Offshore's directors may also be paid all travel, hotel and other expenses properly incurred by them in connection with the Company's business or their duties as directors.

Directors to manage business

The business of the Company shall be managed and conducted by the Board.

Subject to the 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).

Conflict of interest and financial assistance

Provided a director discloses a direct or indirect interest in any contract or arrangement with the Company as required by Bermuda law, such director is entitled to vote in respect of any such contract or arrangement in which he or she is interested unless he or she is disqualified from voting by the Chairman of the relevant Board meeting. A director (including the spouse or children of the director or any company of which such director, spouse or children own or control more than 20% of the capital or loan debt) cannot borrow from the Company, (except loans made to directors who are bona fide employees or former employees pursuant to an employees' share scheme) unless shareholders holding 90% of the total voting rights have consented to the loan.

Power to appoint manager day-to-day business

The Bye-Laws provide that the Board 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 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.

Remuneration of officers

The officers of the Company shall receive such remuneration as the Board may determine.

Indemnification of directors and officers

The Bye-Laws provide that the directors, the secretary and other officers 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, 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.

The Bye-laws provide that the shareholders waive all claims or rights of action that they might have, individually or in right of the Company, against any of the Company's 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. The Bermuda Companies Act permits BW Offshore 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.

15.8.4 Compulsory acquisition of Shares by minority shareholders

An acquiring party is generally able to acquire compulsorily the 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 could be effected by obtaining the agreement of the Company and of holders of Shares, comprising in the aggregate a majority in number and at least 75% in value of the shareholders present and voting at a meeting ordered by the Bermuda Supreme Court to be held to consider the scheme of arrangement. Following such approval by the shareholders, the Bermuda Supreme Court must then sanction the scheme of arrangement. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of 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 not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the Shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained 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 nontendering shareholder to transfer its Shares on the same terms as the original offer. In those circumstances, nontendering 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 of the Company, by acquiring, pursuant to a notice given to the remaining shareholders, the Shares of such remaining shareholders. When this 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.

15.8.5 Amalgamations

The amalgamation of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Unless the company's bye-laws provide otherwise the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation 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.

15.8.6 Appraisal rights and shareholder suits

Under the Bermuda Companies Act, in the event of an amalgamation of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favour of the amalgamation 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.

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 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.

15.8.7 Capitalisation of profits and reserves

Pursuant to the Bye-Laws, the Board may (i) capitalise any part of the amount of its 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 un-issued 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 sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by paying up in full partly paid shares of those shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

15.8.8 Untraced shareholders

The Bye-Laws provide that the Board 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 checks by post or otherwise to a shareholder if such instruments have been returned undelivered to, or left un-cashed 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 check or a warrant.

15.8.9 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 presented at the annual general meeting. The register of members of a Bermuda company is also open to inspection by shareholders and members of the 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 shareholders 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.

15.8.10 Exchange control

BW Offshore 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 BW Offshore's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of the Shares.

The Company intends to apply for and expects to receive consent under the Bermuda Exchange Control Act 1972 (and its related regulations) from the Bermuda Monetary Authority for the issue and transfer of the Shares to and between non-residents of Bermuda for exchange control purposes provided the Shares remain listed on an appointed stock exchange, which includes the Oslo Børs. This Offer Document will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this Offer Document for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for BW Offshore's financial soundness or the correctness of any of the statements made or opinions expressed in this Offer Document.

15.9 Related Party Transactions

BW Offshore has entered into a USD 1.5 billion financial facility with the main shareholder, BW Group. Further, and in connection with the Offer, BW Offshore has entered into a bridging facility of USD 1.1 billion with BW Group. The Company has also entered into smaller service contracts with members of the BW Group, including but not limited to contracts under which the Company is pooling purchases and recruitment services. These contracts have been entered into on an arms length basis.

The tables below (figures in USD million) provide information as to the related party transactions for the financial years 2009, 2008 and 2007, and for the first quarter of 2010 and 2009.

Table 15-9: Related party transactions for the financial years 2009, 2008 and 2007 and for the first quarter 2010 and 2009

Related Parties	**1Q 2010**	**1Q 2009**	**2009**	**2008**	**2007**
Interest expenses to BW Group and/or companies owned by BW Group	4.9	7.3	24.1	21.8	0.0
Management, administration and rental services from companies owned by BW Group	0.1	0.1	0.3	1.6	4.7
Period-end/Year-end balances					
Receivables from companies owned by BW Group	0.7	0.4	0.3	0.3	0.0
Payables to companies owned by BW Group	1.7	3.8	1.6	0.1	1.8
Loans from BW Group	950.0	780.0	900.0	700.0	0.0

16 PRESENTATION OF PROSAFE PRODUCTION

The following is a short summary description of Prosafe Production as of the date of this Offer Document prepared in accordance with publicly available information. The summary is not complete and does not contain all the information that should be considered in connection with a decision of whether to accept the Exchange Offer or not. Further information on Prosafe Production, including annual reports, interim reports, investor information and previously issued prospectuses, may be found on the company's web address: www.prosafeproduction.com. The information in this Section has been prepared in accordance with publicly available information, including annual reports, interim reports, investor information and stock exchange notices published by Prosafe Production and the prospectus issued by Prosafe Production dated 30 May 2008.

16.1 General

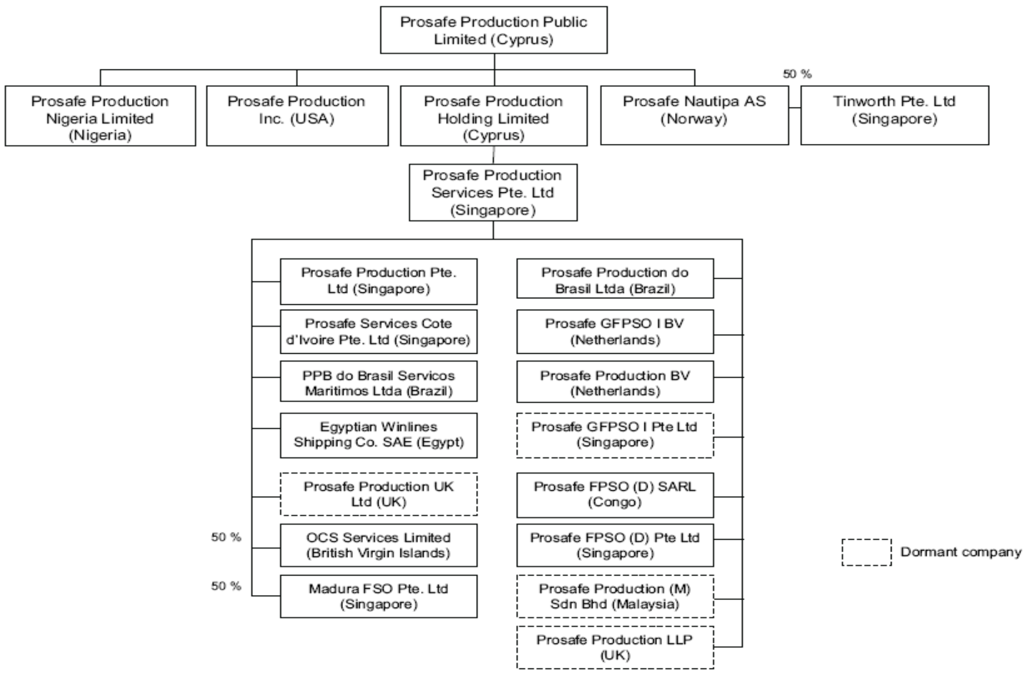
Prosafe Production is a public limited liability company incorporated under the Cyprus Company Law with company registration number 213521. The company's registered office is at City House, 3rd floor, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus, telephone number +357 2550 3120, while its operational headquarters are in Singapore. Prosafe Production has a share capital of USD 25,520,176.40, divided into 255,201,764 shares, each with a par value of USD 0.10. The Prosafe Production shares are registered in the VPS under ISIN CY0100610910 and are listed on Oslo Børs under the ticker code "PROD".

Prosafe Production is an owner and operator of FPSOs. The company has 25 years of operational experience from several of the world's largest oil and gas provinces. Prosafe Production operates globally and employs approximately 1,000 employees including hired personnel from more than 40 countries.

16.2 Legal Structure of the Prosafe Production Group

The Prosafe Production group (the "Prosafe Production Group") comprises a parent company and several subsidiaries resident in various jurisdictions. All subsidiaries are wholly owned, except for OCS Services Limited, Madura FSO Pte Ltd and Tinworth Pte Ltd.

Figure 16-2: Legal structure of the Prosafe Production Group



16.3 History

Prosafe Production was first set up as Nortrans in Singapore in 1982 to design, manage and operate FPSOs. In 1985, the company was awarded its first FSO contract and purchased and converted a 110,000 dwt crude oil tanker into an FSO for operation off Samudra Island, Indonesia.

The first FPSO, Al Zaafarana, was converted in 1994. The company has so far completed 18 conversions of increasing complexity.

The company was first listed on Oslo Børs as Nortrans Offshore in 1998. Nortrans Offshore was subsequently acquired by Prosafe ASA in 2001 and renamed Prosafe Production. In 2008, Prosafe SE (formerly Prosafe ASA) transferred all its floating production related assets to the Cyprus registered company Prosafe Production Public Limited. In May 2008, Prosafe Production Public Limited was spun off from Prosafe SE and subsequently listed on Oslo Børs under the ticker code “PROD” on 2 June 2008.

16.4 Selected Financial Information

Below is a summary of the main financial data for Prosafe Production. The summary consolidated financial information and other data set forth below as of and for each of the years ended 31 December 2009, 2008 and 2007 has been derived from Prosafe Production’s audited consolidated financial statements, prepared in accordance with IFRS. Prosafe Production’s audited consolidated financial statements as of and for the year ended 31 December 2009 and the unaudited interim financial reports for the three months ended 31 March 2010 are incorporated by reference to this Offer Document, see Section 19.3 “Incorporation by Reference” below and www.newsweb.no. The summary consolidated financial and other data has been derived from Prosafe Production’s financial statements, prepared in accordance with IFRS.

16.4.1 Consolidated income statements

The tables below show a summary of Prosafe Production’s consolidated income statement for the years 2009, 2008 and 2007, as well as the three months ended 31 March 2010 and 2009.

		Years ended 31 December	
(USD million)	**2009 (Audited)**	**2008 (Audited)**	**2007 (Audited)**
Operating revenues	**315.0**	**264.7**	**150.4**
Employee benefits	(52.6)	(39.0)	(30.9)
Other operating expenses	(77.5)	(83.1)	(26.7)
Operating profit before depreciation	**184.9**	**142.6**	**92.8**
Depreciation	(83.7)	(57.6)	(33.6)
Impairment	(46.7)	(196.8)	0.0
Operating profit	**54.5**	**(111.8)**	**59.2**
Interest income	0.7	3.3	1.3
Interest expenses	(44.9)	(29.0)	(1.6)
Other financial items	(0.6)	(55.9)	2.9
Net financial items	**(44.9)**	**(81.6)**	**2.6**
Profit before taxes	**9.6**	**(193.4)**	**61.8**
Taxes	(19.9)	(10.2)	(8.8)
Net profit (loss) for the year	**(10.3)**	**(203.6)**	**53.0**
Net profit (loss) from discontinued operations	(2.5)	n.a.	n.a.
Net profit (loss) for the period	**(10.3)**	**(203.6)**	**53.0**
Earnings per share from continuing operations (figures in USD)	(0.03)	n.a.	n.a.
Earnings per share diluted from continuing operations (figures in USD)	(0.03)	n.a.	n.a.
Earnings per share	(0.04)	(0.80)	0.21
Earnings per share diluted	(0.04)	(0.80)	0.21

(USD million)	Three months ended 31 March 2010 (Unaudited)	2009 (Unaudited)
Operating revenues	**105.3**	**60.6**
Operating expenses	(48.3)	(23.5)
Operating profit before depreciation	**57.0**	**37.1**
Depreciation	(32.6)	(13.7)
Operating profit	**24.4**	**23.4**
Interest income	0.0	0.2
Interest expenses	(11.2)	(11.4)
Other financial items	(0.8)	(2.5)
Net financial items	**(12.0)**	**(13.6)**
Profit before taxes	**12.4**	**9.8**
Taxes	(1.6)	(4.3)
Net profit for the year	**10.8**	**5.5**
Earnings per share (figures in USD)	0.04	0.02
Earnings per share diluted (figures in USD)	0.04	0.02

As of 31 March 2010, the Turret Business has been classified as a disposal group held for sale and a discontinued business. The Turret Business has not earlier been classified as a separate business as no external sales to third parties has been conducted. The net loss in the income statement represents operating expenses and depreciation of assets related to this business.

16.4.2 Consolidated statements of financial position

The tables below show a summary of Prosafe Production's statement of financial position for the consolidated company as of 31 December 2009, 2008 and 2007, in addition to as of 31 March 2010 and 2009.

(USD million)	As of 31 December		
ASSETS	**2009 (Audited)**	**2008 (Audited)**	**2007 (Audited)**
Goodwill	128.3	128.3	128.3
Ships	1,756.2	1,567.4	926.5
Other tangible assets	3.9	5.4	5.0
Financial assets	3.6	10.3	1.5
Total fixed assets	**1,892.0**	**1,711.4**	**1,061.3**
Cash and deposits	133.8	211.0	53.0
Accounts receivables	60.1	46.8	35.4
Other current assets	10.8	15.4	23.7
Total current assets	**204.8**	**273.2**	**112.1**
Assets classified as held for sale	0.0	0.0	0.0
TOTAL ASSETS	**2,096.8**	**1,984.6**	**1,173.4**

(USD million)	Years ended 31 December		
EQUITY AND LIABILITIES	**2009 (Audited)**	**2008 (Audited)**	**2007 (Audited)**
Share capital	25.5	25.5	752.8
Share premium reserve	1,062.6	1,062.6	(0.0)
Total paid-in equity	**1,088.1**	**1,088.1**	**752.8**
Other equity	(274.4)	(282.4)	237.2
Total retained earnings	**(274.4)**	**(282.4)**	**237.2**
Total equity	**813.8**	**805.7**	**990.1**
Interest-bearing long-term debt	1,001.1	1,013.8	70.5
Derivative financial instruments	35.6	54.2	-
Deferred tax	0.1	1.1	1.1
Other provisions	3.1	1.2	0.0
Total long-term liabilities	**1,039.9**	**1,070.3**	**71.6**
Interest-bearing current debt	150.6	18.8	49.5
Taxes payable	2.5	0.0	1.6
Other interest-free current liabilities	90.0	89.8	60.6
Total current liabilities	**243.1**	**108.6**	**111.7**
TOTAL EQUITY AND LIABILITIES	**2,096.8**	**1,984.6**	**1,173.4**

(USD million)	As of 31 March	
ASSETS	**2010 (Unaudited)**	**2009 (Unaudited)**
Goodwill	65.5	128.3
Ships	1,730.2	1,663.5
Other non-current assets	8.4	14.4
Total fixed assets	**1,804.0**	**1,806.3**
Cash and deposits	140.0	136.0
Other current assets	76.5	76.6
Total current assets	**216.5**	**212.7**
TOTAL ASSETS	**2,083.3**	**2,018.9**

(USD million)	As of 31 March	
	2010	2009
EQUITY AND LIABILITIES	(Unaudited)	(Unaudited)
Share capital	25.5	25.5
Other equity	791.3	788.5
Total equity	**816.8**	**814.0**
Interest-bearing long-term debt	1,001.4	1,060.7
Interest-free long-term liabilities	44.8	1.3
Total long-term liabilities	**1,046.2**	**1,062.0**
Interest-bearing current debt	150.6	17.4
Other interest-free current liabilities	69.6	125.5
Total current liabilities	**220.3**	**142.9**
TOTAL EQUITY AND LIABILITIES	**2,083.3**	**2,018.9**

As of 31 March 2010, the assets classified as held for sale does in all majority relate to goodwill that will be disposed of as part of a potential sale of the Turret Business.

16.4.3 Consolidated cash flow statement

The tables below show the cash flow statement for the consolidated company for the full year of 2009, 2008 and 2007, and for the first three months of 2010 and 2009.

(USD million)	Three months ended 31 March		Years ended 31 December		
	2010 (Unaudited)	2009 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
Cash flow from operating activities					
Profit (loss) before taxes from continuing operations	12.4	9.8	12.1	(193.4)	61.9
Profit (loss) from discontinued operations	(0.8)	(0.4)	(2.5)	n.a.	n.a.
Unrealised currency (gain) / loss	0.6	0.0	(0.9)	(1.2)	(1.4)
Depreciation	32.6	13.7	83.7	57.6	33.6
Impairment	0.0	0.0	46.7	196.8	0.0
Taxes paid	(2.8)	(3.2)	(12.7)	(18.2)	(8.5)
Loss on sale of financial assets	0.0	0.0	0.0	52.6	0.0
Change in working capital	(28.7)	(28.6)	(8.1)	78.8	(39.0)
Other items from operating activities	10.5	8.7	33.3	(25.1)	0.0
Net cash flow from operating activities	**23.8**	**0.0**	**151.6**	**148.0**	**46.6**
Cash flow from investing activities					
Proceeds from sale of tangible fixed assets	0.0	0.0	0.3	260.0	0.0
Acquisition of tangible fixed assets	(6.1)	(109.2)	(317.8)	(895.8)	(423.9)
Acquisition of financial assets	0.0	0.0	0.0	(319.6)	0.0
Dividends received	0.0	0.0	0.0	1.5	0.2
Interest received	0.0	0.2	0.7	3.3	1.3
Net cash flow from investing activities	**(6.1)**	**(109.0)**	**(316.9)**	**(950.6)**	**(422.5)**
Cash flow from financing activities					
New interest-bearing long-term debt	0.0	50.0	235.0	963.2	120.0
Repayment of interest-bearing long-term debt	0.0	(4.5)	(107.6)	(50.6)	(0.6)
Dividends paid	0.0	0.0	0.0	0.0	(35.7)
Paid-in capital	0.0	0.0	0.0	70.1	724.2
Capital repayment	0.0	0.0	0.0	0.0	(428.9)
Interest paid	(11.5)	(11.5)	(39.2)	(22.1)	(1.6)
Net cash flow from financing activities	**(11.5)**	**34.0**	**88.1**	**960.0**	**377.4**
Net cash flow	**6.2**	**(75.0)**	**(77.2)**	**157.9**	**1.5**
Cash and deposits as of beginning of period	133.8	211.0	211.0	53.0	51.5
Cash and deposits as of end of period	**140.0**	**136.0**	**133.8**	**211.0**	**53.0**

16.5 Business Description

16.5.1 General

Prosafe Production is an owner and operator of floating production, storage and offloading vessels (FPSOs). The core business lies in the design, engineering, conversion and operation of FPSO/ FSO vessels.

Prosafe Production currently owns and operates a fleet of eight FPSO vessels (including an FDPSO) and two FSO vessels – Abo FPSO, FDPSO Azurite, FPSO Cidade de São Mateus, FPSO Espoir Ivoirien, FPSO Ningaloo Vision, FPSO Petróleo Nautipa (owned 50% by Prosafe Production), FPSO Polvo, FPSO Umuroa, FSO Endeavor and FSO Madura Jaya (owned 50% by Prosafe Production). All the units in the fleet have been converted by Prosafe Production.

The VLCC M/T Takama was acquired at the beginning of 2008 and is planned to be converted to an FPSO on the award of a firm contract. The vessel is currently laid up in Malaysia.

In addition to owning and operating vessels, Prosafe Production also converts existing Aframax, Panamax, Suezmax and VLCC tankers to FPSOs and FSOs. All ten FPOSs and FSOs in the company's current fleet have been converted to FPSOs and FSOs internally. The company has employed approximately 40 engineers who manage complete concepts from tanker purchase through design, life extension, construction, commissioning, installation on the field, operation and redeployment. In 2009, the company completed the world's first FPSO with drilling capability (FDPSO), Azurite, which is fully owned and operated by Prosafe Production. The company has completed a total of 18 conversions and major upgrade projects.

Prosafe Production has also an in-house technology department which designs and engineers turret moorings, fluid transfer systems, offloading systems and utility systems for its floating production units, as well as making customized solutions that help their clients in managing field-specific challenges.

In early 2010, Prosafe Production entered into a Memorandum of Understanding with Höegh LNG for the long term cooperation within the LNG FPSO segment. Prosafe Production's main responsibility in the partnership is operation and maintenance of the vessels, but the company is also going to assist Höegh LNG during marketing, project execution and completion.

In March 2010, Prosafe Production announced a letter of intent with National Oilwell Varco to sell its Turret Business. Prosafe Production announced on 30 June 2010 that it intends to close the transaction during the third quarter of 2010. The sale of the Turret Business is among others subject to completion of a customary due diligence and approvals from the board of directors. Prosafe Production has indicated that the sale of the Turret Business will not be completed before the Offer has been concluded and the future ownership structure of Prosafe Production has been clarified. The total consideration is USD 165 million plus additional compensation of 10% of third-party sales for seven years in the sold entity. Please also see Sections 5.5 "Offer Price – Consideration" and 5.10 "Conditions for Completion of the Offer" above.

16.5.2 Encumbrances

Prosafe Production has three debt facilities which are secured with ship mortgages. At year end 2009, total carrying value of vessels pledged as collateral was USD 1,737 million.

Senior secured revolving credit facility

The facility has a total availability of USD 1,200 million and is secured by:

1. A subsidiary guarantee from each of Prosafe Production Holding Ltd, Prosafe Production Services Pte Ltd and Prosafe PFSO (D) Pte Ltd;
2. A first priority pledge over all the shares issued by Prosafe Production Holding Ltd, Prosafe Production Services Pte Ltd and Prosafe FPSO (D) Pte Ltd;
3. A first priority perfected security interest in seven FPSO/FSO vessels owned by Prosafe Production Services Pte Ltd and Prosafe FPSO (D) Pte Ltd; and
4. A first priority secured interest in all earnings and proceeds of insurance related to all collateral units.

The loan period is seven years with the final maturity date 5 May 2015. The revolving credit facility has financial covenants related to liquidity, leverage ratio, working capital and collateral maintenance, and includes a standard change of control clause that can be triggered if a party exceeds 30% ownership.

Umuroa facility

The facility has a total availability of USD 130 million and is secured by:

1. A parent company guarantee from Prosafe Production;
2. A first priority perfected security interest in the FPSO Umuroa owned by Prosafe Production Services Pte Ltd, New Zealand Branch; and
3. A first priority secured interest in all earnings and proceeds of insurance related to the FPSO Umuroa.

The loan period is six years with the final maturity date 3 November 2015. The revolving credit facility has financial covenants related to liquidity, leverage ratio, equity ratio and working capital, and includes a standard change of control clause that can be triggered if a party exceeds 30% ownership.

Petróleo Nautipa facility

The facility has a total availability of USD 17.5 million and is secured by:

1. Mortgages on bank deposit;
2. The shares in Tinworth Pte Ltd and Prosafe Nautipa AS; and
3. FPSO owned by Tinworth Pte Ltd.

The facility matures in December 2012.

16.5.3 *Fleet and contracts*

The Prosafe Production fleet consists of the following eight (8) FPSOs and two (2) FSOs:

Abo FPSO

Table 16-1: Technical specifications Abo FPSO

Conversion/yard:	FPSO 2002 / Keppel (Singapore)
Built/yard:	1976, Mitsubishi (Japan)
Former name:	M/T Grey Warrior
Length/breadth:	268.45m / 53.6m
Deadweight tonnes:	155,612
Storage capacity (bbl):	930,000
Production capacity (b/d):	44,000 bopd, 56,000 bfpd
Gas compression capacity (mmscfd):	44
Water injection capacity (b/d):	33,000
Ownership:	100%

In January 2002, Prosafe Production was awarded the contract for the Abo Development Project FPSO by Nigerian Agip Exploration. The contract is for the lease and operation of an FPSO for an initial term of eight years and with options to extend the contract for two times one year. Abo FSPO began the charter in April 2003.

Espoir Ivoirien

Table 16-2: Technical specifications Espoir Ivoirien

Conversion/yard:	FPSO 2001 / Keppel (Singapore)
Built/yard:	1974, Mitsubishi (Japan)
Former names:	M/T White Sea, Whiting Sea, Amoco Whiting, Amoco Tehran
Length/breadth:	268.45m / 53.6m
Deadweight tonnes:	132,500
Storage capacity (bbl):	1,100,000
Production capacity (b/d):	45,000 bopd, 50,000 bfpd
Gas compression capacity (mmscfd):	60
Water injection capacity (b/d):	130,000
Ownership:	100%

FPSO Espoir Ivoirien is located on the Espoir field off the Ivory Coast for Canadian Natural Resources. After the original conversion, the vessel was upgraded in 2005 to accommodate the tie-in of the West Espoir wellhead platform. A further upgrade was requested by Canadian Natural Resources in 2008, which will be completed in 2010. This included an accommodation expansion from 66 to 98 people and increases in oil production from 40,000 to 45,000 bopd, water production from 42,000 to 66,000 barrels per day (bbl/d), and gas compression from 60 to 80 mmscfd. The firm period of the contract lasts until 2012. In addition, Canadian Natural Resources has the option to extend the contract by up to ten years.

Petróleo Nautipa

Table 16-3: Technical specifications Petróleo Nautipa

Conversion/yard:	FPSO 1998 / Keppel (Singapore)
Built/yard:	1974, Nippon Kokan (Japan)
Former names:	M/T Knock Buie, Aenias, In-Nahala, Polartank
Length/breadth:	254.37m / 43.5m
Deadweight tonnes:	141,330
Storage capacity (bbl):	1,080,000
Production capacity (b/d):	20,000 bopd, 30,000 bfpd
Gas compression capacity (mmscfd):	3
Water injection capacity (b/d):	-
Ownership:	50%

FPSO Petróleo Nautipa is chartered to Vaalco Energy on the Etame field offshore Gabon. This charter originally ran to September 2007. In April 2005, it was renegotiated and extended to September 2012, with an option for the customer to cancel in September 2011. In October 2007, the contract was extended by four years from September 2011 until September 2015 and with options for another one plus one year. As part of the agreement, the water treatment capacity on the FPSO Petróleo Nautipa will be increased at the expense of the Etame partners. Also, the field operator will be entitled to increase oil production beyond the current contractual capacity of the FPSO against the introduction of a new tariff element in the compensation structure. The Etame partners have an option to terminate the contract if drydocking of the FPSO Petróleo Nautipa is required in 2012.

The vessel is 50% owned through the Tinworth Pte Ltd joint venture.

Cidade De São Mateus

Table 16-4: Technical specifications Cidade De São Mateus	
Conversion/yard:	FPSO 2007/2008 / Keppel (Singapore)
Built/yard:	1988, Hyundai Heavy Industries (South Korea)
Former names:	M/T Navarin, Maersk Navarin
Length/breadth:	311.77m / 56m
Deadweight tonnes:	276,736
Storage capacity (bbl):	700,000
Production capacity (b/d):	4,000 m3 / day (crude), 5,600 m3 / day (fluid)
Gas compression capacity (mmscfd):	353
Water injection capacity (b/d):	-
Ownership:	100%

FPSO Cidade de São Mateus is one of the world's largest converted FPSOs with a topside weight of approximately 20,000 tonnes and the capacity to produce 353 mmscfd of gas, and 35,000 bfpd. The vessel is chartered by Petrobras offshore Brazil on a fixed term of nine years. The charter started up at the Camarupim field off the coast of Espirito Santo in early October 2009 and has six one-year options.

Polvo

Table 16-5: Technical specifications Polvo	
Conversion/yard:	FPSO 2007 / Keppel (Singapore)
Built/yard:	1980, Ishikawajima-Harima (Japan)
Former names:	M/T Nissho Maru, M/T Apollo
Length/breadth:	323.03m / 54.5m
Deadweight tonnes:	257,865
Storage capacity (bbl):	1,600,000
Production capacity (b/d):	90,000 bopd, 150,000 bfpd
Gas compression capacity (mmscfd):	7.5
Water injection capacity (b/d):	100,000
Ownership:	100%

FPSO Polvo is contracted by Devon Energy Americas L.L.C. on the Polvo field offshore Brazil. The contract has a fixed term of seven years plus eight one-year options. The vessel will support the production, separation, water treatment, and power generation and production storage for the field.

Azurite

Table 16-6: Technical specifications Azurite

Conversion/yard:	FDPSO 2007/2008 / Keppel (Singapore)
Built/yard:	1988, Hyundai Heavy Industries (Korea)
Former name:	MT Europe
Length/breadth:	311.77m / 56m
Deadweight tonnes:	259,999
Storage capacity (bbl):	1,400,000
Production capacity (b/d):	40,000 bopd, 60,000 bfpd
Gas compression capacity (mmscfd):	18
Water injection capacity (b/d):	60,000
Ownership:	100%

The FDPSO unit, Azurite, is under a seven years charter to Murphy West Africa Ltd. followed by four two-year options. The operations commenced at the Mer Profonde Sud Block offshore the Republic of Congo, in April 2009. FDPSO Azurite is the world’s first FPSO with drilling capabilities. The unit is equipped with a modular drilling package, which can be removed and used elsewhere once drilling is completed.

Ningaloo Vision

Table 16-7: Technical specifications Ningaloo Vision

Conversion/yard:	FPSO 2007/2008/ Keppel (Singapore)
Built/yard:	1981, Ishikawajima-Harima (Japan)
Former names:	M/T Kudam, M/T Kudamatsu Maru
Length/breadth:	237.76m / 41.6m
Deadweight tonnes:	101,832
Storage capacity (bbl):	650,000
Production capacity (b/d):	63,000 bopd, 150,000 bfpd
Gas compression capacity (mmscfd):	10
Water injection capacity (b/d):	147,000
Ownership:	100%

In May 2007, Prosafe Production was awarded a contract by Apache Northwest Pty Ltd for the supply and operation of an FPSO for the Van Gogh field offshore Australia. The FPSO Ningaloo Vision started to generate full day rate in the beginning of January 2010 and the charter contract commenced approximately one month later. The charter is for a firm period of seven years, followed by options for a maximum of eight years. The vessel is equipped with Prosafe Production's first in-house developed disconnectable turret, which allows it to safely disconnect and sail to a safe haven in case of severe weather conditions.

Umuroa

Table 16-8: Technical specifications Umuroa

Conversion/yard:	FPSO 2006/2007 / Keppel (Singapore)
Built/yard:	1981, Mitsubishi Heavy Industries (Japan)
Former names:	M/T Ionikos, M/T Kyokuwa Maru, Tui FPSO
Length/breadth:	231.67m / 46m
Deadweight tonnes:	118,095
Storage capacity (bbl):	773,245
Production capacity (b/d):	50,000 bopd, 120,000 bfpd
Gas compression capacity (mmscfd):	25
Water injection capacity (b/d):	-
Ownership:	100%

FPSO Umuroa is chartered to Australian Worldwide Exploration at the Tui field in the Taranaki basin offshore New Zealand. 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. The vessel started on contract in April 2007 and produced its first oil in July the same year.

Endeavor

Table 16-9: Technical specifications Endeavor

Conversion/yard:	FSO 1997 / Keppel (Singapore)
Built/yard:	1971, Bethlehem (USA)
Former names:	S/S Cove Endeavor, Sansinena II
Length/breadth:	240.38m / 32m
Deadweight tonnes:	71,591
Storage capacity (bbl):	550,000
Ownership:	100%

FSO Endeavor is operating for Aban Loyd Chiles Offshore on the PY-3 field off India. The vessel started on contract in July 1997 and was initially on contract for three years. The previous contract ended in July 2009. However, a 12 month extension has been negotiated for the vessel, which commenced 24 January 2010.

Madura Jaya

Table 16-10: Technical specifications Madura Jaya

Conversion/yard:	FSO 2003 / Sembawang (Singapore)
Built/yard:	1980, Uddevallavarvet (Sweden)
Former names:	M/T Paris II, Viking Hawk
Length/breadth:	220.14m / 42.3m
Deadweight tonnes:	88,728
Storage capacity (bbl):	633,000
Ownership:	50%

FSO Madura Jaya has been under charter to Kodeco Energy since January 2003. The contract has been extended two times and currently runs until November 2010. Kodeco Energy has the option to extend the contract to 31 December 2010.

The vessel is 50% owned through the Madura Pte Ltd joint venture.

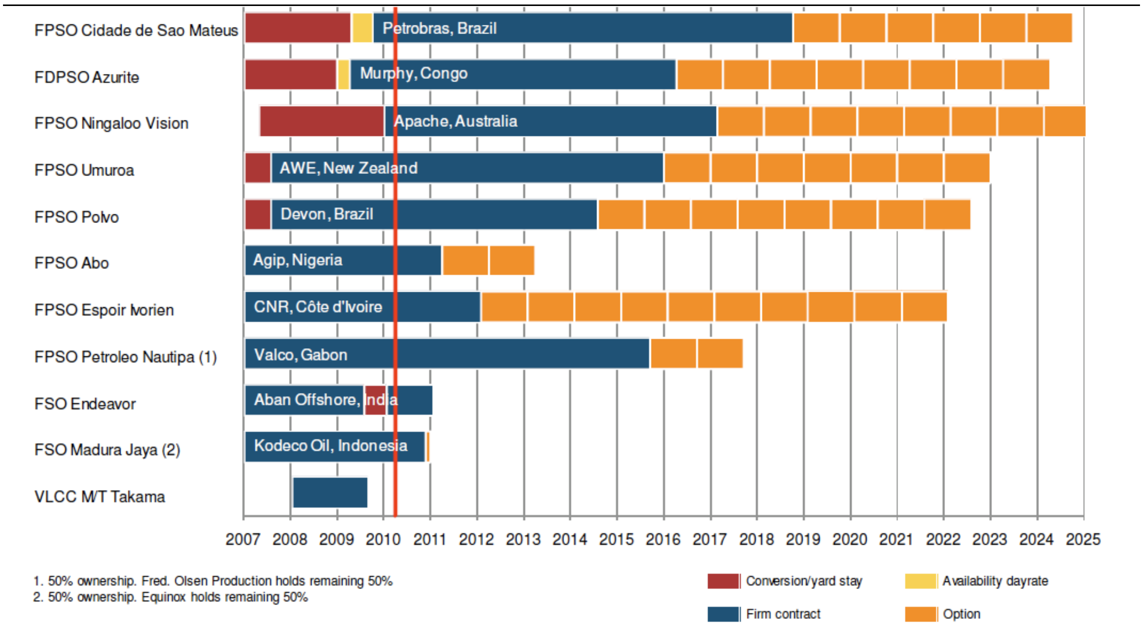
M/T Takama

Prosafe Production also owns M/T Takama, a VLCC of 266,286 deadweight tonnes originally delivered in 1987, which was purchased in January 2008. This vessel is a suitable conversion candidate for future FPSO projects.

The charters for FPSO Espoir Ivoirien and Abo FPSO provide the customer with an option to purchase the vessels during the charter period. The contracts for FPSO Petroleo Nautipa and the FPSO for the Polvo field include options which may only be called at specific points in time. The value of the option at any given time will secure the net present value of the remaining charter period, including the residual value of the vessel, and will accordingly at all times exceed the book values of the vessels.

The figure below illustrates Prosafe Production's current fleet contract status.

Figure 16.2 – Contract status



Source: Prosafe Production first quarter report 2010.

16.6 Board of Directors, Management, Employees and Auditor

16.6.1 Board of directors

The Board of Directors of Prosafe Production consists of six members: Ronny Johan Langeland (Chairman), Christian Brinch, Arne Austreid, Michael Raymond Parker, Carine Smith Ihenacho and Christakis Klerides.

16.6.2 Management

The Management of Prosafe Production consists of Bjørn Henriksen (President and CEO), Sven Børre Larsen (Executive Vice President and CFO), Roy Hallås (Executive Vice President and COO) and Claes William Olsen (Executive Vice President - Business Development).

16.6.3 Employees

As of 31 December 2009, Prosafe Production had approximately 1,000 employees.

16.6.4 Auditor

The auditor of Prosafe Production is Ernst & Young, Nicosia Tower Centre 36 Byron Avenue, P.O.Box 21656 1511, Nicosia, Cyprus.

16.7 Share Capital and Shareholders

16.7.1 Share capital

Prosafe Production's share capital is USD 25,520,176.40, divided into 255,201,764 shares, each with a par value of USD 0.10.

16.7.2 Shareholders

As of 20 July 2010, Prosafe Production had a total of 1,859 shareholders. As of 20 July 2010, the following were the largest shareholders of Prosafe Production:

	Shareholder	Country	Type	Number of shares	Percentage
1	BW Offshore Cyprus Limited	Cyprus	Comp.	44,500,000	17.44%
2	Prosafe Holding Ltd.	Cyprus	Comp.	19,778,137	7.75%
3	BW Euroholdings Ltd.	Cyprus	Comp.	15,332,280	6.01%
4	BW Offshore Cyprus Limited	Cyprus	Comp.	11,432,990	4.48%
5	Folketrygdfondet	Norway	Comp.	9,946,285	3.90%
6	Morgan Stanley & Co Internat. Plc	Great-Britain	Nom.	9,874,638	3.87%
7	Awilco Invest AS	Norway	Comp.	8,012,600	3.14%
8	Brown Brothers Harriman & Co	USA	Comp.	7,500,000	2.94%
9	RBC Dexia Investor Services Trust	Great-Britain	Nom.	7,136,621	2.80%
10	Orkla ASA	Norway	Comp.	6,600,000	2.59%
11	Pareto Aksje Norge	Norway	Comp.	5,959,686	2.34%
12	Prosafe SE	Cyprus	Comp.	5,596,997	2.19%
13	UBS AG, London Branch	Great- Britain	Nom.	5,378,677	2.11%
14	BW LPG FPSO I LTD	Bermuda	Comp.	5,000,000	1.96%
15	HSBC Bank plc	Great-Britain	Nom.	4,418,441	1.73%
16	Odin Offshore	Norway	Comp.	3,932,000	1.54%
17	State Street Bank And Trust Co.	USA	Nom.	3,667,731	1.44%
18	Pareto Aktiv	Norway	Comp.	2,877,050	1.13%
19	Bank of New York Mellon	USA	Nom.	2,758,039	1.09%
20	Morgan Stanley & CO Inc. New York	USA	Nom.	2,490,324	0.98%
	Total top 20 shareholdings			**182,230,086**	**71.40%**
	Other			72,971,678	28.60%
	Total stock			**255,201,764**	**100.00%**

16.8 Material Agreements

In January 2010, Prosafe Production entered into a memorandum of understanding with Höegh LNG for the long term cooperation within the LNG FPSO segment. The cooperation will use as its basis the FEED work already developed by Höegh LNG, and for each specific project Höegh LNG will be responsible for design, project execution, completion, operation and funding, whilst Prosafe Production will, in cooperation with HLNG, be responsible for the operation and maintenance of the LNG FPSO's, and assisting Höegh LNG during project execution and completion.

On 22 March 2010, Prosafe Production announced that it has entered into a letter of intent with National Oilwell Varco to sell its Turret Business for USD 165 million. In addition, there will be a deferred payment corresponding to 10% of the sold business' third-party sales for a period of seven years. It was further announced that in connection with the transaction, Prosafe Production will enter into a seven-year supply agreement with National Oilwell Varco, which secures access to turret and swivel solutions at competitive terms. Closing of the transaction is amongst other subject to completion of a customary due diligence, as well as approval by both companies' board of directors. On 30 June 2010, Prosafe Production announced that National Oilwell Varco had requested an extension of the letter of intent until after BW Offshore's Offer has been concluded and the future ownership structure of Prosafe Production clarified. Per the 30 June 2010 announcement, Prosafe Production decided to grant such an extension, with the intention to close a transaction with National Oilwell Varco during the third quarter of 2010.

Other than these, for the last two years prior to the date of this Offer Document, Prosafe Production has not announced any agreements entered into outside the ordinary course of its business.

16.9 Legal and Arbitration Proceedings

Prosafe Production has not had any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), for the previous 12 months which may have, or have had in the recent past significant effects on Prosafe Production and/or the Prosafe Production Group's financial position or profitability.

16.10 Significant Changes in the Prosafe Production Group's Financial or Trading Position since 31 March 2010

The Prosafe Production Group has not experienced any significant changes to its financial or trading position after 31 March 2010 and to the date of this Offer Document.

17 SECURITIES TRADING IN NORWAY

17.1 Introduction

The Shares are listed and traded on Oslo Børs and the Company is therefore subject to Norwegian securities regulations and supervision by the relevant Norwegian authorities.

Oslo Børs was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. Oslo Børs is a public limited liability company and operates under a license from the Norwegian Ministry of Finance. Oslo Børs is wholly owned by Oslo Børs VPS Holding ASA. 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 derivates.

17.2 Securities Registration

The VPS is the Norwegian paperless central securities registry. It is a computerised bookkeeping system in which the ownership of, and all transactions related to, securities which are publicly traded in Norway are recorded. The VPS is wholly owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered in the VPS are executed through computerised book-entries. No physical share certificates representing securities registered in the VPS are or can be issued. The VPS confirms each entry by sending a transcript to the registered holder, regardless of beneficial ownership. Registered holders also receive an annual statement of their holdings as of 31 December of each year.

In order to give effect to entries in the VPS, the shareholder or its nominee must establish a securities account with a Norwegian account operator. Norwegian banks, Norwegian branches of credit institutions established within the EEA, bond issuing mortgage companies, authorised investment firms in Norway, the Central Bank of Norway and management companies for securities funds (insofar as units in the securities funds they manage are concerned) are permitted to act as account operators.

The entry of a transaction in the VPS is prima facie evidence in determining the rights of parties as against the issuing company or a third party claiming an interest in the subject security. See Section 15.1.4 “Registration of the Shares” for a more detailed description. The VPS must provide ongoing information to the NFSA, as well as any information that the NFSA requests. Additionally, Norwegian tax authorities may demand certain information regarding any individual’s holdings of securities, including dividends and interest payment information. The VPS is liable for any economic loss resulting from an error in connection with its registration activities unless the error is caused by matters outside the control of the VPS and which the VPS could not reasonably be expected to avoid or of which the VPS could not reasonably be expected to overcome the consequences. The courts may reduce or set aside the VPS’ liability if the person who has suffered the loss has contributed to the loss wilfully or negligently.

17.3 Trading and Settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system TradElect. This trading system is in use by all markets operated by the London Stock Exchange as well as by the Borsa Italiana and the Johannesburg Stock Exchange.

Official trading takes place between 09:00 hours (CET) and 17:30 hours (CET) each trading day. Orders may be placed in the system beginning at 08:15 hours (CET).

The settlement period for trading on Oslo Børs is three days (T+3).

The ability of brokerage houses to trade for their own account is restricted to trading that occurs as an integral part of either their investment services or their general capital management. Trading by individual employees is restricted.

Investment services may only be provided by Norwegian brokerage houses holding a license under the Norwegian Securities Trading Act, branches of brokerage houses from an EEA state holding a license in their home jurisdiction or brokerage houses from outside the EEA which have been licensed to operate in Norway. EEA state brokerage houses holding a license in their home jurisdiction may also conduct cross-border investment services in Norway. It is possible for brokerage houses and credit institutions to undertake market-making activities in listed Norwegian shares if they have a license to do so under the Norwegian Securities Trading Act or, in the case of brokerage houses and credit institutions from an EEA 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 covering a broker's trading on his or her own account. Such market-making activities, however, do not require notification to the NFSA or Oslo Børs except for the general obligation by brokerage houses that are members of Oslo Børs to report all trades in listed securities.

17.4 Information, Control and Surveillance

Under Norwegian law, Oslo Børs is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of Oslo Børs monitors all market activity on a continuous basis and is responsible for the dissemination of information from listed companies to the market. Market surveillance systems are largely automated and promptly warn department personnel of abnormal market developments.

Under Norwegian law, a company listed on a Norwegian regulated market, or is subject to the application for listing on such market, must promptly release any inside information (i.e., 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. Oslo Børs may levy fines on companies violating these requirements.

18 TAXATION

18.1 Introduction

Set out below is a summary of certain Norwegian tax matters related to the Exchange Offer and the shareholding in BW Offshore. The summary is based upon the assumptions that Prosafe Production is regarded as genuinely established and carrying on genuine economic activities in Cyprus according to current Norwegian tax rules.

The statements below regarding Norwegian taxation are based on the laws in force in Norway as of the date of this Offer Document and are subject to any changes in law occurring after such date, which changes could 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. Shareholders are advised to consult their own tax advisers concerning their overall tax situation. Shareholders resident in jurisdictions other than Norway and shareholders who ceases 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 advisers 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 Foreign shareholder refers to the tax residency rather than the nationality of the shareholder.

18.2 Norwegian Taxation Related to the Exchange Offer

18.2.1 General

The exchange of Prosafe Production shares for BW Offshore shares is considered a realization for Norwegian tax purposes.

18.2.2 Taxation on realization of shares – Norwegian personal shareholders

A capital gain or loss generated by Norwegian shareholders who are individuals resident in Norway for tax purposes ("Norwegian personal shareholders") through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal at a rate of 28%. 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 tax base of the BW Offshore shares received as consideration in the Exchange Offer will be equal to the value of BW Offshore shares at the time the Prosafe Production shareholder no longer is registered as shareholder of Prosafe Production but as new shareholder in BW Offshore. This tax base will be applied both for the computation of the capital gain (or loss) in relation to the Prosafe Production shares under the Exchange Offer and for later tax implications in relation to the BW Offshore shares (cf. below).

The capital gain is calculated as the consideration received (i.e. the value of BW Offshore Shares and cash amount) less the cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian personal shareholders are entitled to deduct a calculated allowance when calculating their taxable income. The allowance for each share will be equal to the cost price of the share multiplied by a determined risk free interest rate. The allowance may only be deducted in order to reduce a taxable gain, and may not be deducted in order to increase or produce a deductible loss. The calculated allowance is allocated to the personal shareholders holding shares at the expiration of each calendar year.

If the 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.

18.2.3 Taxation on realization of shares – Norwegian corporate shareholders

Shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("Norwegian corporate shareholders") must include gains or losses related to a realization of Prosafe Production shares in the calculation of their annual net income from shares. Only 3% of net income from shares qualifying for the participation exemption shall be included in the calculation of ordinary income. Ordinary income is subject to tax at a flat rate of 28%, implying that the net income from shares is effectively taxed at a rate of 0.84%. Negative net income from shares does not reduce ordinary income.

18.2.4 *Taxation on realization of shares - Foreign shareholders*

Capital gains derived by the sale of Prosafe Production shares by personal shareholders who are not resident in Norway for tax purposes ("Foreign personal shareholders") will not be subject to taxation in Norway unless the shares are held in connection with the conduct of a trade or business in Norway.

Capital gains derived by the sale or other realization of shares by Foreign corporate shareholders are not subject to taxation in Norway.

18.3 Norwegian Taxation of Shareholding in BW Offshore

18.3.1 *Taxation of dividends*

Norwegian personal shareholders

Dividends received by Norwegian personal shareholders from BW Offshore are subject to tax in Norway as general income at a flat rate of 28%. Such shareholders are entitled to deduct a calculated allowance when calculating their taxable dividend income. The allowance is calculated on a share-by-share basis, and the allowance for each share is equal to the cost price of the share, multiplied by a risk free interest rate. Any part of the calculated allowance one year exceeding the dividend distributed on the share can be added to the cost price of the share and included in the basis for calculating the allowance the following years.

Norwegian corporate shareholders

Dividends received by Norwegian corporate shareholders from BW Offshore are subject to tax in Norway as general income at a flat rate of 28%.

Foreign shareholders

As a general rule, dividends received by Foreign shareholders are not taxable in Norway. However, if a Foreign shareholder is carrying on business activities in Norway and the shares are effectively connected with such business activities, the Foreign shareholder will be subject to the same dividend taxation as Norwegian shareholders, as described above.

18.3.2 *Capital gains tax*

Norwegian personal shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian personal shareholder through a disposal of Shares in BW Offshore is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28%. 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 capital gain is calculated as the consideration received less the cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian personal shareholders are entitled to deduct a calculated allowance when calculating their taxable income. The allowance for each share will be equal to the cost price of the share multiplied by a determined risk free interest rate. The allowance may only be deducted in order to reduce a taxable gain, and may not be deducted in order to increase or produce a deductible loss. The calculated allowance is allocated to the personal shareholders holding shares at the expiration of each calendar year.

If the 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 BW Offshore is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal at a rate of 28%. 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 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.

Foreign shareholders

As a general rule, capital gains generated by Foreign shareholders are not taxable in Norway. However, such gains may be subject to Norwegian taxation for Foreign shareholders who hold the shares in connection with the conduct of a trade or business in Norway.

18.3.3 Net wealth tax

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian personal shareholders. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes for shares listed on Oslo Børs 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 and Foreign shareholders are not subject to net wealth tax. However, Foreign personal shareholders can be subject to such taxation if the shareholding is effectively connected to the conduct of trade or business in Norway.

18.3.4 Duties on transfer of shares

No stamp or similar duties are currently imposed in Norway on the transfer of shares whether on acquisition or disposal.

18.3.5 Inheritance tax

Upon transfer of shares by way of inheritance or gift, the transfer may be subject to Norwegian inheritance or gift tax. The basis for the computation is the market value at the time the transfer takes place. The rate is progressive from 0 to 30%. For inheritance and gifts from parents to children, the maximum rate is 20%. However, such transfer is not subject to Norwegian tax if the donor/deceased was neither a national nor resident of Norway for tax purposes.

18.4 Bermuda Tax Considerations

At the present time, 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 the Company's shareholders in respect of the Shares. BW Offshore has obtained an assurance from the Minister of Finance of Bermuda under the Bermuda 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 28 March 2016, be applicable to the Company or to any of the Company's operations or to the Shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by BW Offshore in respect of real property owned or leased by us in Bermuda.

19 GENERAL INFORMATION

19.1 Documents on Display

For the life of this Offer Document, the documents indicated in the list below, may be inspected at the offices of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda or requested by telephone: +1 (441) 295 1422 or facsimile: +1 (441) 292 4720, or downloaded from the Company's website: bwoffshore.com:

- The Memorandum of Association and Bye-Laws of the Company;
- 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 the Offer Document;
- The Company's historical financial information for 2009, 2008 and 2007; and
- The Company's interim financial reports for the first quarter 2010 and 2009.

The Offer Document and other documents (or copies thereof) referred to in this Section will be physically available for inspection for 12 months after the date of the Offer Document at the Company's business address at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Historical financial statements for the Company's subsidiary undertakings will not be published in accordance with Bermudian law.

19.2 Confirmation Regarding Sources

The Company confirms that information in this Offer Document which has been sourced from third parties has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19.3 Incorporation by Reference

The information incorporated by reference in this Offer Document shall be read in connection with the cross-reference list as set out in the table below. Except as provided in this Section, no other information is incorporated by reference into this Offer Document.

The Company incorporates by reference its unaudited interim financial reports for the three months ended 31 March 2010 and 2009 and the audited consolidated financial statements for the financial years ended 31 December 2009, 2008 and 2007, as well as the audited consolidated financial statements for 2009 and the unaudited consolidated financial for first quarter 2010 of Prosafe Production.

Section in the Offer Document	Disclosure requirements of the Offer Document	Reference document and link	Page (P) in reference document[6]
Sections 8, 9	Audited historical financial information (Annex I, Section 20.1)	**BW Offshore – Financial Statements 2009**: http://www.newsweb.no/newsweb/search.do?messageId=258373	P35-P81
		BW Offshore – Financial Statements 2008: http://www.newsweb.no/newsweb/search.do?messageId=235134	P31-P69
		BW Offshore – Financial Statements 2007: http://www.newsweb.no/newsweb/search.do?messageId=206791	P26-P63
Sections 8, 9	Audit report (Annex I, Section 20.4.1)	**BW Offshore – Auditor's Report 2009**: http://www.newsweb.no/newsweb/search.do?messageId=258373	P41
		BW Offshore – Auditor's Report 2008: http://www.newsweb.no/newsweb/search.do?messageId=235134	P37
		BW Offshore – Auditor's Report 2007: http://www.newsweb.no/newsweb/search.do?messageId=206791	P32
Section 8.3.1	Accounting policies (Annex I, Section 20.1)	**BW Offshore – Accounting Principles**: http://www.newsweb.no/newsweb/search.do?messageId=258373	P47-P52
Sections 8, 9	Interim financial information (Annex I, Section 20.6.1)	**BW Offshore – First Quarter Financial Statement 2010**: http://www.newsweb.no/newsweb/search.do?messageId=260789	P1-P10
		BW Offshore – First Quarter Financial Statement 2009: http://www.newsweb.no/newsweb/search.do?messageId=238074	P1-P10
Section 16	Audited historical financial information (Annex I, Section 20.1)	**Prosafe Production – Financial Statements 2009**: http://www.newsweb.no/newsweb/search.do?messageId=258071	P47-P95
Section 16	Interim financial information (Annex I, Section 20.6.1)	**Prosafe Production – First Quarter Financial Statement 2010**: http://www.newsweb.no/newsweb/search.do?messageId=260363	P1-P12
Section 2.2.3	Risk factors (Annex I, Section 4)	**Prosafe Production – Prospectus dated 30 May 2008** http://www.prosafeproduction.com/pdf/Prospectus%2030%20May%202008.pdf	P10-P16

[6] The original page number as stated in the reference document.

20 NORSK SAMMENDRAG (NORWEGIAN SUMMARY)

Dette norske sammendraget er en oversettelse av utvalgte deler av det engelske tilbudsdokumentet og er kvalifisert i sin helhet av den engelske teksten. Ved eventuelle uoverensstemmelser mellom den engelske og den norske teksten, skal den engelske teksten være gjeldende.

This Norwegian summary comprises a translation of certain parts of the English language Offer Document, and is qualified in its entirety by the English language text. In the event of any inconsistencies between the English and the Norwegian text, the English version shall prevail.

20.1 Tilbudet

BW Offshore Limited ("BW Offshore" eller "Tilbyder") tilbyr herved å kjøpe samtlige utstedte og utestående aksjer i Prosafe Production Public Limited ("Prosafe Production"), som ikke allerede eies av BW Offshore, eller som eies av personer i eller fra jurisdiksjoner hvor fremsettelsen av tilbudet er ulovlig ("Tilbudet"), mot et vederlag bestående av 1,2 aksjer i BW Offshore som skal utstedes til de aksepterende aksjeeierne i Prosafe Production og NOK 2,0 i kontanter pr aksje i Prosafe Production ("Vederlaget"), på de vilkår og betingelser som fremgår av dette tilbudsdokumentet ("Tilbudsdokumentet"). Vederlaget skal imidlertid være 1,2 aksjer i BW Offshore og NOK 5,25 i kontanter pr Prosafe Production-aksje, dersom Prosafe Production gjennomfører salget av sin Turretvirksomheten (som definert nedenfor) til minimum USD 165 millioner og på de vilkår som annonsert av Prosafe Production i sin børsmelding av 22. mars 2010, foruten den forventede tidslinjen, som ble meldt forlenget ved børsmelding av 30. juni 2010, ikke senere enn to norske virkedager før utløpet av Tilbudsperioden (som definert nedenfor). Vilkårene knyttet til det høyere Vederlaget er videre spesifisert i Kapittel 20.5 "Tilbudsprisen - Vederlaget" nedenfor.

Tilbyder eier pr dato for dette Tilbudsdokumentet, 60 932 990 aksjer i Prosafe Production, tilsvarende 23,88 % av det samlede antall aksjer i selskapet. I tillegg eier, pr dato for dette Tilbudsdokumentet, BW Euroholdings Limited, et heleid datterselskap av BW Group Limited ("BW Group"), 6,01 % av det samlede antall aksjer i Prosafe Production per dato for dette Tilbudsdokumentet.

Dersom alle aksjeeiere i Prosafe Production aksepterer Tilbudet, vil det bli utstedt 233 122 529 vederlagsaksjer ("Vederlagsaksjene") og betalt NOK 388,5 millioner i kontanter til aksjeeierne i Prosafe Production. Dersom Prosafe Production gjennomfører salget av Turretvirksomheten i henhold til ovennevnte vilkår, vil det totale kontantvederlaget til aksjeeierne i Prosafe Production bli NOK 1 019,9 millioner dersom samtlige aksjeeiere aksepterer Tilbudet.

20.2 Tilbyder

Tilbudet er fremsatt av BW Offshore, med registrerte adresse Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Tilbyders registreringsnummer er 36937. BW Offshore er et aksjeselskap stiftet under og regulert i henhold til Bermuda lov.

BW Offshore er et internasjonalt oljeserviceselskap med fokus på flytende produksjons-, lagrings- og lasteenheter (FPSO) og relaterte teknologier. Aksjene i Tilbyder ("Aksjene") er notert på Oslo Børs med ticker "BWO". Ytterligere informasjon om Tilbyder og Aksjene fremgår av henholdsvis Kapittel 11 "Presentation of BW Offshore" og Kapittel 15 "Share Capital and Shareholder Matters".

Pr dato for dette Tilbudsdokumentet eier BW Offshore totalt 60 932 990 aksjer i Prosafe Production tilsvarende 23,88 % av det samlede antall aksjer i Prosafe Production som følger:

- BW Offshore Cyprus Limited, et heleid datterselskap av BW Offshore, eier 55 932 990 aksjer i Prosafe Production, tilsvarende omkring 21,91 % av det samlede antall aksjer i Prosafe Production; og
- BW LPG FPSO I LTD, et heleid datterselskap av BW Offshore, eier 5 000 000 aksjer i Prosafe Production, tilsvarende omkring 1,96 % av det samlede antall aksjer i Prosafe Production.

I tillegg eier BW Euroholdings Limited, et heleid datterselskap av BW Group (største aksjeeier i BW Offshore), 15 332 280 aksjer i Prosafe Production tilsvarende 6,01 % av alle aksjene i Prosafe Production per dato for dette Tilbudsdokumentet. BW Euroholdings Limited er en nærstående til BW Offshore i henhold til verdipapirhandelloven § 2-5. Ingen andre nærstående av BW Offshore eier aksjer i Prosafe Production per dato for dette Tilbudsdokumentet. For øvrig forligger det ikke noen aksjonæravtaler i BW Offshore eller i nærstående selskaper.

Verken BW Offshore eller noen av dets nærstående har opsjoner, konvertible lån eller tilsvarende rettigheter til å erverve ytterligere aksjer i Prosafe Production.

20.3 Målselskapet – Prosafe Production

Prosafe Production er et aksjeselskap registrert under kypriotisk lov med registreringsnummer 21351. Prosafe Productions registrerte adresse er City House, 3rd Floor, 6 Karaiskakis Street, CY-3032 Limassol, Kypros, mens selskapets operasjonelle hovedkontor er i Singapore. Prosafe Production har en aksjekapital på USD 25 520 176,40, fordelt på 255 201 764 aksjer, hver pålydende USD 0,10. Selskapets aksjer er registrert i VPS med ISIN nummer CY0100610910 og notert på Oslo Børs med ticker "PROD".

Prosafe Production er en ledende eier og operatør av FPSOer. Selskapet har 25 års operasjonell erfaring fra flere av verdens største olje- og gassfelt. Prosafe Production opererer globalt og har omkring 1 000 ansatte fra mer enn 40 ulike land.

Prosafe Production ble stiftet 27. november 2007 og er skilt ut fra Prosafe SE, et selskap som har vært notert på Oslo Børs siden 1997. I april 2008 vedtok Prosafe SE en utskillelse av flyteproduksjonsvirksomheten for å legge til rette for at ledelsen i de to selskaper skulle kunne øke sitt fokus på sine respektive virksomhetsområder. Prosafe Production ervervet alle aksjene i flyteproduksjonsselskapene, inkludert 22 selskaper som var eid av Prosafe SE. Overdragelsen av disse selskapene ble foretatt i perioden 8. april 2008 til 9. mai 2008.

20.4 Bakgrunn for Tilbudet

BW Offshore ser at sterke hensyn taler for konsolidering i FPSO-sektoren. Et økende skille mellom større og mindre aktører er ventet. Økende krav fra kunder knyttet til teknisk kompetanse, spesifikasjoner og investering pr enhet har vært trenden de siste årene. Gjennom 2009 styrket de veletablerte FPSO-selskapene sine markedsposisjoner. Nye aktører i FPSO-industrien har i stor grad uteblitt fra konkurransebildet, og flere vil måtte fokusere på konsolidering av sine markedsposisjoner i årene som kommer. Mindre aktører er ventet å bli stadig mer marginalisert og å finne det vanskelig å oppnå finansiering for nye prosjekter.

Resultatene i FPSO-sektoren har i årene frem til 2008 kommet under press på grunn av en rekke faktorer. Et økende antall aktører konkurrerte om de om de tilgjengelige kontraktene, noe som medførte lave dagrater og et betydelig skifte i kontraktsrisiko mellom kunde og leverandør. Den globale etterspørsel innen skipsbygging og den generelle bygge- og anleggsvirksomheten medførte betydelig kostnadsøkning knyttet til viktige ressurser slik som verftskapasitet, utstyr og personell. Disse faktorene er igjen betydelig endret i etterkant av de økonomiske uroligheter i 2008/2009. Konkurransen er i dag redusert og leverandører opplever langt lavere aktivitetsnivåer. I det store og hele er dette forventet å styrke posisjonen til de sterke FPSO-aktørene og redusere det negative resultatpresset.

Gjennomsnittlige kostnader og kompleksitet i prosjektene har økt betydelig over de siste årene. Krav til tilstedeværelse i de ulike markedene som sektoren retter seg mot favoriserer større aktører som kan oppnå stordriftsfordeler. Et betydelig konkurransemessig skille fremover vil være aktørenes evne til å sikre nytt engasjement til eksisterende enheter. Større aktører vil være i bedre stand til å sikre nye engasjementer ettersom de har større og mer diversifisert flåte og større tilstedeværelse i markedet.

Økende anbudskostnader og krav til lokale leveranser og lokale samarbeidspartnere, etterlevelse av lokale krav, økende komplekse standarder og krav, er forventet å kreve kompetanse hos og opplæring av medarbeidere som overstiger de mulighetene mindre aktører har. Stordriftsfordeler ved anbudsarbeid vil utgjøre et vesentlig konkurransemessig skille. Større aktører er forventet å ha mer effektiv tilgang til finansiering, som er forventet å være en kritisk faktor i fremtiden.

BW Offshore er av den oppfatning at en sammenslåing med Prosafe Production vil skape en aktør med en diversifisering, tilstedeværelse, finansiell størrelse og kompetanse som kan spille en enda mer betydelig rolle i FPSO-sektoren enn det BW Offshore og Prosafe Production kan gjøre hver for seg. På lengre sikt gir dette et potensial til å øke verdiene for begge grupper av aksjeeiere.

20.5 Tilbudsprisen – Vederlaget

Vederlaget i Tilbudet består av 1,2 aksjer i BW Offshore og NOK 2,00 i kontanter for hver aksje i Prosafe Production. Basert på børskursen for BW Offshore-aksjen på NOK 9,13 ved avslutningen av handelen den 18. juni 2010, som var den siste handelsdag før Tilbyder offentliggjorde Tilbudet, innebærer det at verdien av Vederlaget tilsvarer NOK 12,96 for hver aksje i Prosafe Production. Rettighetene knyttet til Vederlagsaksjene vil fra utstedelsestidspunktet og registreringen av disse aksjene i VPS i alle henseendene være like de som knytter seg til de eksisterende Aksjene. Det blir ikke betalt renter på Vederlaget til de aksjeeierne som aksepterer Tilbudet.

Vederlaget er blitt fastsatt på basis av en helhetsvurdering, herunder av verdsettelsen av BW Offshore og Prosafe Production i aksjemarkedet, de to selskapers historiske og forventede fortjeneste og fremtidige markedsutsikter og en sammenligning av disse faktorene med aksjemarkedets verdsettelse av sammenlignbare selskaper, en grundig verdivurdering av aktiva i begge selskaper, inngåtte kundekontrakter, inkludert varigheten av slike, opsjoner, kontraktsdekning og posisjon i de relevante markeder, skattemessig posisjoner, organisasjonene til de to selskapene, mulige synergier og BW Offshores forretningsmål og strategi.

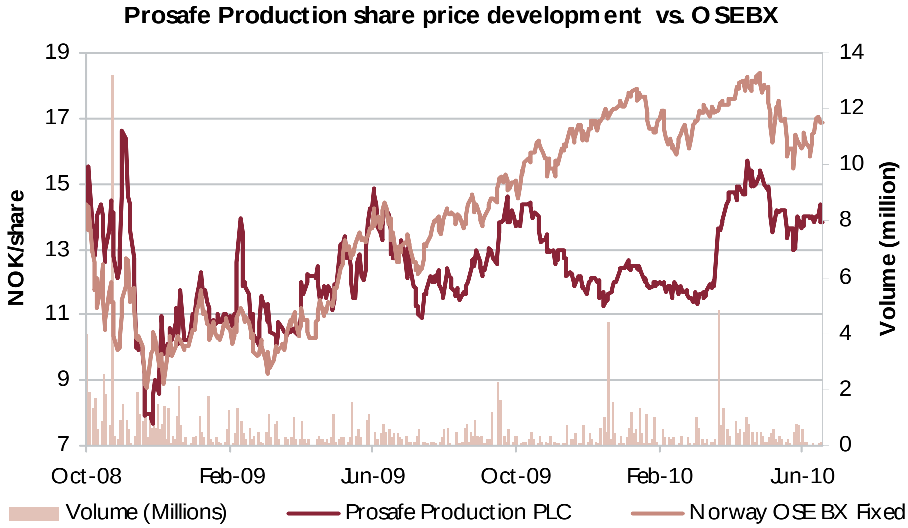
Dersom Prosafe Production utbetaler utbytte eller foretar annen utdeling til sine aksjeeiere, og vilkåret knyttet til slik utdeling angitt i Kapittel 20.10 "Vilkår for gjennomføringen av Tilbudet" nedenfor frafalles og Tilbudet gjennomføres, vil Vederlaget bli redusert med det beløp utdelt pr aksje i Prosafe Production gjennom justering av kontantdelen av Vederlaget. I tilfelle av enten aksjesplitt eller aksjespleis i Prosafe Production, justeres både aksje- og kontantdelen av Vederlaget tilsvarende, forutsatt imidlertid at enhver rett til en brøkdel av en Vederlagsaksje rundes ned til nærmeste hele aksje.

Vederlaget representerer en rabatt på 6,5 % sammenlignet med børskursen i Prosafe Production ved avslutningen av handelen den 18. juni 2010, den siste handelsdag før Tilbyder offentliggjorde tilbudet, og en rabatt på 4,9 % sammenlignet med volumvektet gjennomsnitt på Oslo Børs i perioden på seks måneder frem til den 19. mars 2010. Tilbudet representerer videre en premie på 7,0 % sammenlignet med volumvektet gjennomsnittskurs på Oslo Børs i perioden på tre måneder frem til den 19. mars 2010, en handelsdag før Prosafe Production offentliggjorde intensjonsavtalen om salg av sin turret- og swivelvirksomhet ("Turretvirksomheten").

Vederlaget skal være 1,2 aksjer i BW Offshore og NOK 5,25 i kontanter pr Prosafe Production-aksje, dersom Prosafe Production, ikke senere enn to norske virkedager før utløpet av Tilbudsperioden (som definert nedenfor), gjennomfører, annonserer og dokumenterer salget av sin Turretvirksomhet for minimum USD 165 millioner med tillegg av en etterfølgende betaling tilsvarende 10 % av Turretvirksomhetens salg til tredjeparter over en periode på syv år, i tråd med Prosafe Productions børsmeldinger datert 22. mars 2010 og 30. juni 2010. Det høyere Vederlaget forutsetter videre at vederlaget mottatt av Prosafe Production for Turretvirksomheten ikke er gjenstand for andre etterfølgende justeringer (med unntak for ordinære justeringer knyttet til virksomhetens balanse ved transaksjonens gjennomføring og ansvar for skadesløsholdelse knyttet til garantikrav for tidligere leveranser), og det ikke forekommer andre vesentlige forpliktelser for Prosafe Production (herunder for eksempel knyttet til fremtidige resultater i Turretvirksomheten eller noen avtale om å foreta fremtidige minstekjøp av utstyr eller andre kjøp fra kjøper, National Oilwell Varco, eller tilknyttede selskaper, eller noen annen form for forpliktelser eller begrensinger for Prosafe Productions fremtidige virksomhet) i forbindelse med salget av Turretvirksomheten eller ellers og som ikke er offentliggjort gjennom børsmeldingene datert 22. mars 2010 og 30. juni 2010. Dersom Prosafe Production senest innen to virkedager før utløpet av Tilbudsperioden offentliggjør at de ovennevnte vilkår er oppfylt og senest innen to virkedager før utløpet av Tilbudsperioden dokumenterer det samme overfor BW Offshore på en måte tilfredsstillende for BW Offshore, vil Vederlaget bli 1,2 BW Offshore-aksjer og NOK 5,25 i kontanter pr Prosafe Production-aksje. Salget må være gjennomført, og inngåelsen av en endelig avtale er således ikke tilstrekkelig til å oppfyllet vilkåret. For det tilfellet at salget ikke er gjennomført innen ovennevnte frist, vil Vederlaget forbli 1,2 aksjer i BW Offshore og NOK 2,00 i kontanter pr Prosafe Production-aksje.

Dersom salget av Turretvirksomheten er gjennomført innen fristen angitt ovenfor, vil Vederlaget representere en premie på 17,0 % sammenlignet med børskursen i Prosafe Production ved avslutningen av handelen den 18. juni 2010, den siste handelsdag før Tilbyder offentliggjorde Tilbudet, og en premie på 19,7 % sammenlignet med volumvektet gjennomsnitt på Oslo Børs i perioden på seks måneder frem til den 19. mars 2010. Tilbudet representerer videre en premie på 34,0 % sammenlignet med volumvektet gjennomsnittskurs på Oslo Børs i perioden på tre måneder frem til den 19. mars 2010, en handelsdag før Prosafe Production offentliggjorde intensjonsavtalen om salg av Turretvirksomheten.

Tabellen nedenfor viser aksjekursutviklingen og handelsvolum for Prosafe Production-aksjene i perioden fra 1. oktober 2008 til 18. juni 2010 i forhold til Oslo Børs hovedindeks (OSEBX):



20.6 Finansieringen av Tilbudet

Kontantvederlaget i Tilbudet vil bli finansiert av BW Offshore gjennom tilgjengelige kredittfasiliteter. I tilknytning til Tilbudet har BW Offshore etablert en ny mellomfinansieringsfasilitet på USD 1,1 milliarder fra BW Group på konkurransemessige vilkår med utløpsdato i november 2011. Den nye kredittfasiliteten på USD 1,1 milliarder og tilgjengelig kapasitet under eksisterende kredittfasiliteter på USD 1,5 milliarder vil være tilstrekkelig til å finansiere hele kontantvederlaget i Tilbudet og også til å refinansiere Prosafe Productions eksisterende kredittfasiliteter, og samtidig bevare kapasitet for vekst i det kombinerte selskapet fremover. Vederlagsaksjene i Tilbudet vil bli utstedt gjennom en forhøyelse av den utstedte aksjekapitalen med USD 2 331 225,29 gjennom utstedelsen av ytterligere 233 122 529 aksjer som er pari passu med eksisterende Aksjer i BW Offshore, se Kapittel 20.12 "Vederlagsaksjene" nedenfor. BW Offshore vil ikke utstede andre aksjer knyttet til transaksjonen enn Vederlagsaksjene som skal utstedes til aksjeeierne i Prosafe Production under Tilbudet. Tilbudet er ikke betinget av finansiering.

20.7 Kontakt med Prosafe Production før fremsettelsen av Tilbudet

Det har ikke vært noen forhandlinger mellom BW Offshore og Prosafe Production knyttet til Tilbudet. Representanter fra BW Offshore og Prosafe Production (og tidligere Prosafe SE) har imidlertid tidligere ved enkelte anledninger diskutert en potensiell kombinasjon av de to selskaper uten at dette har ledet til noe spesifikt resultat.

Verken Tilbyder eller noen av dets nærstående har ervervet aksjer i Prosafe Production etter at BW Euroholdings Limited ervervet 12 500 000 aksjer den 23. oktober 2008.

Ingen betalinger eller fordeler av noe slag har vært eller vil bli tilbudt fra BW Offshore til ledelsen og/eller styret i Prosafe Production eller noen av dets datterselskaper i forbindelse med Tilbudet (annet enn betaling i henhold til dette Tilbudsdokumentet av Vederlaget dersom slike selv er aksjeeiere og aksepterer Tilbudet i sin egenskap av å være aksjeeiere).

BW Offshore har ikke innhentet noen forhåndsaksepter av Tilbudet fra noen aksjeeiere i Prosafe Production eller styremedlemmer i Prosafe Production.

20.8 Tilbudsperioden

Aksjeeierne i Prosafe Production kan akseptere Tilbudet i perioden fra og inkludert 29. juli 2010 til 25. august 2010 klokken 17.30 (norsk tid) ("Tilbudsperioden").

Tilbyder kan forlenge tilbudsperioden én eller flere ganger, men under ingen omstendighet utover 6. oktober 2010 klokken 17.30 (norsk tid). Enhver slik forlengelse vil være del av Tilbudsperioden. Enhver forlengelse av Tilbudsperioden vil bli offentliggjort senest innen klokken 09.00 (norsk tid) første hverdag etter utløpet av den tidligere offentliggjorte Tilbudsperioden, i så tilfelle vil Tilbudsperioden ikke ansees for å ha utløpt den etterfølgende hverdag. Slik offentliggjøring skal gjøres i henhold til Kapittel 20.14 "Offentliggjøringer" nedenfor. Dersom Tilbudsperioden forlenges, vil andre datoer angitt i dette Tilbudsdokumentet også kunne endres tilsvarende og ethvert mottatt akseptformular vil fortsatt være bindende og ugjenkallelig i den forlengede perioden.

20.9 Aksept av Tilbudet

Tilbudet aksepteres ved å fylle ut og signere akseptformularet vedlagt som "Appendix 1", og i norsk versjon som "Appendix 2", til dette Tilbudsdokumentet ("Akseptformularet") og returnere det til Carnegie ASA ("Carnegie") som angitt nedenfor. Forut for en akseptering av Tilbudet bør aksjeeierne i Prosafe Production vurdere grundig de risikofaktorer som er angitt i Kapittel 2 "Risk Factors".

Aksjeeiere som ønsker å akseptere Tilbudet må sørge for at Akseptformularet er mottatt av Carnegie før utløpet av Tilbudsperioden.

Aksept av Tilbudet er ugjenkallelig fra det tidspunktet Akseptformularet er mottatt av Carnegie og kan ikke trekkes tilbake, verken helt eller delvis, og verken før eller etter utløpet av Tilbudsperioden, inkludert eventuelle forlengelser av denne. Aksepter kan ikke gjøres betingede.

Enhver aksjeeier som har Prosafe Production-aksjer registrert i navnet til en megler, bank, forvaltningsselskap eller annen forvalter må kontakte slik person dersom aksjeeieren ønsker å akseptere et salg av slike Prosafe Production-aksjer til BW Offshore.

Ved mottakelse av aksepten vil de tilbudte Prosafe Production-aksjene på den aksepterende aksjeeiers VPS-konto bli sperret til fordel for Carnegie. Følgelig er ingen transaksjoner knyttet til slike Prosafe Production-aksjer tillatt etter at aksepten mottas av Carnegie. For det tilfellet at andre enn aksjeeieren har rettigheter knyttet til de relevante Prosafe Production-aksjene, må også slik rettighetshaver signere Akseptformularet. Aksepten innebærer videre at VPS, etter instruks fra Carnegie ved oppgjøret, vil overføre aksjene i Prosafe Production til Carnegie og at VPS i samme transaksjon, eller så snart som mulig deretter, vil besørge betalingen av Vederlaget fra Tilbyderen straks Vederlagsaksjene er utstedt. Overføringen av aksjer i Prosafe Production og betalingen av Vederlaget er forventet å bli utført samtidig, men oppgjøret vil kunne bli utført så snart som mulig etter overføringen av aksjene i Prosafe Production dersom slik samtidig transaksjon skulle vise seg å ikke la seg gjennomføre.

En aksept vil innbefatte alle Prosafe Production-aksjene som aksjeeieren har på den VPS-konto som er dekket av aksepten. Dersom aksjeeieren eier aksjer på mer enn en VPS-konto, må det avgis separat Akseptformular for hver enkelt VPS-konto. For aksjer registrert i VPS-konti i navnet til en megler, bank, forvaltningsselskap eller annen forvalter, vil aksepten derimot kun omfatte de angitte Prosafe Production-aksjene på slik VPS-konto som Tilbudet faktisk er akseptert for av aksjeeieren og ikke for andre Prosafe Production-aksjer som måtte være registrert på samme VPS-konto og som ikke er dekket av en aksept. Aksepten dekker også alle aksjer som er ervervet eller vil bli ervervet til nevnte VPS-konto frem til aksjene er debitert fra akseptantens VPS-konto og overført til en sperret konto i Carnegies navn, med unntak for Prosafe Production-aksjer på VPS-konti i navnet til en megler, bank, forvaltningsselskap eller annen forvalter og som eies av en aksjeeier i Prosafe Production som ikke har akseptert Tilbudet.

En aksjeeier i Prosafe Production som aksepterer Tilbudet vil fritt kunne råde over alle andre verdipapirer eid av slik aksjeeier og registrert på samme VPS-konto som de Prosafe Production-aksjene som er omfattet av aksepten.

Aksjeeiere i Prosafe Production som aksepterer Tilbudet vil beholde sine rettigheter som aksjeeier, herunder stemmerettigheter frem til gjennomføringen av Tilbudet, så langt dette er tillatt under gjeldende lovgivning.

Tilbyder forbeholder seg retten til å forkaste aksepter av Tilbudet som etter Tilbyders oppfatning ikke er formriktig eller vil kunne være ulovlig. Tilbyder forbeholder seg også retten til å behandle aksepter som gyldige helt eller delvis, selv om slike ikke er fullt ut formriktige eller mangler vedlagte dokument(er) eller ikke er mottatt på adressen angitt nedenfor. Tilbyder vil imidlertid sørge for korrekt etterlevelse av plikten til å behandle aksjeeiere likt i henhold til verdipapirhandelloven § 6-10 (9) i forbindelse med utøvelsen av sitt skjønn knyttet til det ovennevnte. Verken BW Offshore, de Finansielle Rådgiverne (som definert nedenfor) eller andre personer vil være underlagt noen plikt til å underrette om noen form for feil eller uregelmessigheter i akseptene eller påta seg noen form for ansvar for unnlatelsen av å gi enhver form for slik informasjon.

Akseptformularet må sendes pr brev eller telefaks eller leveres i korrekt utfylt og undertegnet stand til:

Carnegie ASA
Stranden 1 Aker Brygge
Postboks 684 Sentrum
0106 Oslo
Norge
www.carnegie.no
Tel +47 22 00 93 20
Fax +47 22 00 99 60

Enhver "U.S. person" (som definert i "Regulation S" under "U.S. Securities Act") eller en person som oppholder seg i USA som ønsker å akseptere Tilbudet må sammen med Akseptformularet inngi et korrekt utfylt "U.S. Offeree Representation Letter". Enhver person som inngir et Akseptformular uten et "U.S. Offeree Representation Letter" vil anses for overfor BW Offshore og de Finansielle Rådgiverne å innestå og garantere for at (a) man er ikke en U.S. person, (b) man aksepterer Tilbudet i en "offshore transaction" innenfor betydningen i "Regulation S" under "U.S. Securities Act" og i tråd med slike regler og (c) man aksepterer ikke Tilbudet fra Canada, Australia, Japan eller Sør-Afrika eller innenfor noen annen jurisdiksjon hvor det ikke lovlig kan avgis.

20.10 Vilkår for gjennomføringen av Tilbudet

Gjennomføringen av Tilbudet er underlagt følgende betingelser, som Tilbyderen helt eller delvis kan frafalle etter Tilbyderens eget skjønn:

(i) Minimumsaksept for mer enn 90 %. Tilbudet skal forut for utløpet av Tilbudsperioden ha blitt akseptert av aksjeeierne i Prosafe Production for det antall Prosafe Production-aksjer som kreves for at Tilbyder oppnår en aksjebeholdning (inkludert Prosafe Production-aksjer allerede eid av Tilbyder og alle ytterligere Prosafe Production-aksjer ervervet av Tilbyder utenfor Tilbudet) på mer enn 90 % av aksjene og stemmerettighetene i Prosafe Production på fullt utvannet basis;

(ii) Myndighets- og regulatoriske godkjennelser. Enhver myndighets eller regulatorisk eller annen offentlig godkjennelse og/eller klarering i henhold til gjeldende lovgivning, og som er nødvendig for gjennomføringen av Tilbudet, herunder blant annet relevant konkurranserettslig lovgivning, skal være behørig mottatt uten noen betingelser eller på betingelser som er akseptable for Tilbyderen etter Tilbyderens eget skjønn;

(iii) Ingen inngripen. Ingen nasjonal eller internasjonal myndighet eller domstol skal ha foretatt noen form for rettslige skritt (verken midlertidig, foreløpig eller permanent) som begrenser eller hindrer gjennomføringen av Tilbudet eller Sammenslåingen (som definert nedenfor), og ingen vilkår skal ha blitt pålagt av noen form for nasjonal eller internasjonal myndighet eller domstol i forbindelse med Tilbudet eller Sammenslåingen som alene etter Tilbyderens eget skjønn anses å være urimelig byrdefulle.

(iv) Samtykke eller avkall fra andre tredjeparter. BW Offshore og Prosafe Production og dets datterselskaper skal ha mottatt ethvert samtykke eller avkall fra kontraktsparter til Prosafe Production eller dets datterselskaper som er nødvendige (om noen) for gjennomføringen av tilbudet, herunder blant annet slike samtykker eller avkall som måtte være påkrevet fra Prosafe Productions og/eller dets datterselskapers långivere, uten noen negativ virkning for Tilbyder, Prosafe Production eller dets datterselskaper.

(v) Ingen vesentlige negative endringer. Forut for gjennomføringen av Tilbudet skal det ikke foreligger noen endring, hendelse, effekt, eller tilstand (som ikke bare skal tilskrives hendelser som har skjedd etter datoen for dette Tilbudsdokumentet, men også som et resultat av, enten separat eller sammen med, en tidligere ikke-offentliggjort omstendighet) som har, eller som med rimelighet kan forventes å ha, alene eller samlet sett, en vesentlig negativ virkning på Prosafe Productions eller dets datterselskapers virksomhet, aktiva, forpliktelser, tilstand (finansiell eller annen), resultater, forskning og utvikling, beskyttelse av immaterielle rettigheter eller operasjoner, herunder en vesentlig forringelse av innestående kontantbeholdning, pådragelse eller forpliktelse til å pådra vesentlige gjeldsforpliktelser, bruken eller forpliktelsen til å bruke en vesentlig del av kapitalen.

(vi) Ordinær drift. Driften av virksomhetene i Prosafe Production og dets datterselskaper skal fra offentliggjøring av Tilbudet ha vært ordinær og i all vesentlighet i samsvar med gjeldende lovgivning, forskrifter og myndighetsbeslutninger. Videre skal ikke Prosafe Production eller dets datterselskaper ha inngått noen vesentlige kontrakter, avgitt noen løfter eller forpliktet seg, herunder, uten begrensning, direkte eller indirekte forpliktet seg i tilknytning til vesentlige prosjekter med hensyn til kjøp, produksjon, konvertering eller leie av fartøy, eller på annen måte gjort vesentlige endringer i måten virksomheten drives i forhold til nåværende situasjon, forutsatt imidlertid at det forutnevnte ikke skal omfatte gjennomføringen av salget av Prosafe Productions Turretvirksomhet i henhold til de vilkår som ble offentliggjort i Prosafe Productions børsmeldinger datert 22. mars 2010 og 30. juni 2010 så lenge Prosafe Production ikke påtar seg noen vesentlige forpliktelser som påvirker dets fremtidige forpliktelser og fleksibilitet, blant annet forpliktelser knyttet til den fremtidige utviklingen i Turretvirksomheten eller avtale om å foreta fremtidige minimumsinnkjøp av utstyr eller annet fra kjøper eller tilknyttede selskaper eller noen annen form for forpliktelser eller garantier eller begrensinger for Prosafe Productions fremtidige virksomhet.

(vii) Ingen utstedelse av aksjer eller egenkapitalinstrumenter og ingen utdelinger. Det skal ikke ha vært gjort noen endringer eller beslutninger om å endre aksjekapitalen i Prosafe Production eller dets datterselskaper, heller ingen utstedelse eller beslutning om å utstede noen form for rettigheter som berettiger innehaver til noen form for aksjekapitalrettighet i Prosafe Production eller dets datterselskaper, og Prosafe Production skal ikke ha vedtatt eller foretatt noen utbetaling av utbytte eller andre former for utdelinger. Betingelsene gjelder for samtlige forhold fra tidspunktet for offentliggjøring av Tilbudet.

Tilbudet vil bortfalle 22. oktober 2010 dersom de ovennevnte betingelsene ikke er oppfylt eller frafalt av Tilbyder innen denne dato. Bortfallet av Tilbudet og ethvert avkall på noen av betingelsene for Tilbudet, vil bli offentliggjort gjennom Oslo Børs' informasjonssystem under tickeren til Prosafe Production ("PROD") og under tickeren til BW Offshore ("BWO") i tråd med de prosedyrer som er beskrevet i Kapittel 20.14 "Offentliggjøringer" nedenfor. Se Kapittel 20.17 "Betydningen av gjennomføringen av Tilbudet" for ytterligere informasjon om myndighets- og regulatoriske godkjennelser.

20.11 Oppgjør

Resultatet av Tilbudet er forventet offentliggjort på eller omkring 26. august 2010 i form av en børsmelding fremsatt i tråd med Kapittel 20.14 "Offentliggjøringer" nedenfor.

Overføring av Prosafe Production-aksjene til BW Offshore og betalingen og leveringen av Vederlaget som oppgjør for Tilbudet vil foretas så snart som mulig etter utløpet av Tilbudsperioden og ikke senere enn 14 dager etter at betingelsene for Tilbudet er oppfylt eller frafalt. Ved oppgjøret vil betaling og levering av Vederlaget foretatt til den aksepterende aksjeeiers VPS-konto og registrert bankkonto i VPS.

Tilbudet vil bortfalle 22. oktober 2010 dersom de ovennevnte betingelsene ikke er oppfylt eller frafalt av Tilbyder innen den dato. Følgelig vil 5. november 2010 være siste mulige dato for oppgjør.

20.12 Vederlagsaksjene

20.12.1 Emisjon i BW Offshore

Selskapet har til hensikt å innkalle til en generalforsamling i BW Offshore for å beslutte å forhøye den autoriserte aksjekapitalen i BW Offshore til USD 7 331 225,29 gjennom utstedelsen av ytterligere 233 122 529 aksjer som er pari passu med de eksisterende Aksjene i BW Offshore. Etter generalforsamlings beslutning om utstedelsen at disse nye aksjene foreligger, vil styret behandle forslagene om å forhøye den autoriserte aksjekapitalen til USD 7 331 225,29 gjennom utstedelsen av ytterligere 233 122 529 aksjer som er pari passu med de eksisterende Aksjene i BW Offshore og tildelte Vederlagsaksjene som skal utstedes som fullt innbetalte aksjer i navnet til BW Offshores VPS registerfører DnB NOR Bank ASA ("Oppgjørsagenten") ved gjennomføringen av Tilbudet. For det tilfellet at Tilbudet gjennomføres, samt at gjennomføring av det ovennevnte finner sted, vil Vederlagsaksjene bli utstedt til Oppgjørsagenten på vegne av aksjeeierne i Prosafe Production som har akseptert Tilbudet. Den faktiske tegningskursen vil avhenge av børskursen på Aksjene i BW Offshore på datoen for gjennomføringen og vil gjøres opp gjennom at de aksepterende aksjeeierne overfører sine Prosafe Production-aksjer til BW Offshore.

Vederlagsaksjene vil være ordinære Aksjer i BW Offshore med pålydende USD 0,01.

20.12.2 Registrering i VPS

Når Vederlagsaksjene utstedes vil de innføres i BW Offshores aksjeeierbok ("register of members") i Oppgjørsagentens navn, som vil inneha slike Vederlagsaksjer som forvalter på vegne av aksjeeierne i Prosafe Production som aksepterer Tilbudet. Den egentlige aksjeeiers rett vil bli registrert i VPS, og vil da kunne handles på Oslo Børs og referert til som Aksjer i BW Offshore. For ytterligere informasjon, se Kapittel 15.1.4 "Share Rights" ovenfor.

20.12.3 Handel i Vederlagsaksjene

Vederlagsaksjene vil være omsettelige på Oslo Børs når de er registrert på de aksepterende aksjeeieres VPS-konti. Det er ventet at omsetning og notering vil finne sted senest rundt 5. november 2010.

20.12.4 Rettighetene knyttet til Vederlagsaksjene

Vederlagsaksjene vil ha like rettigheter i alle henseender som de eksisterende Aksjene i BW Offshore. Rettighetene knyttet til Aksjene i BW Offshore er beskrevet i Kapittel 15.1.3 "Share Rights" ovenfor.

20.13 Endringer av Tilbudet

En endring av Tilbudet i Tilbudsperioden som på dato for offentliggjøringen representerer en forbedring (eller ingen reduksjon) av verdien (et "Endringstilbud"), er bindende for BW Offshore fra det tidspunkt det offentliggjøres gjennom Oslo Børs' informasjonssystem. Aksjeeiere i Prosafe Production som har akseptert Tilbudet vil automatisk bli gitt de fordeler som følger av Endringstilbudet uten at det fordrer noen handlinger eller notiser fra slike aksepterende aksjeeiere. Slike aksjeeiere vil i tilfellet av et slik Endringstilbud forbli bundet av deres tidligere avgitte aksept. Ved et slikt Endringstilbud vil Tilbudsperioden bli forlenget, og dersom nødvendig, slik at den lengste perioden av minst to uker eller 10 U.S. virkedager gjenstår før utløpet av Tilbudsperioden.

For det tilfellet at Tilbudet trekkes eller Tilbudet reduseres gjennom fremsettelsen av et revidert tilbud på grunnlag av at betingelsene for Tilbudet ikke er oppfylt eller frafalt, som angitt i Kapittel 20.10 "Vilkår for gjennomføringen av Tilbudet" ovenfor, vil aksjeeierne i Prosafe Production som har akseptert Tilbudet bli frigitt fra sine aksepter. Enhver aksjeeier i Prosafe Production som ønsker å akseptere det reviderte tilbudet må dermed inngi et nytt akseptformular til Carnegie til adressen angitt i Kapittel 20.9 "Aksept av Tilbudet" ovenfor innen tilbudsperioden for slikt revidert tilbud. Vederlaget på 1,2 aksjer i BW Offshore og NOK 2,00 i kontanter for hver aksje i Prosafe Production forutsetter at Prosafe Productions salg av Turretvirksomheten ikke er gjennomført som nærmere beskrevet i Kapittel 20.5 "Tilbudsprisen - Vederlaget". Dersom Prosafe Productions salg av Turretvirksomheten er gjennomført som beskrevet i det ovennevnte kapittelet, skal Vederlaget være 1,2 aksjer i BW Offshore og NOK 5,25 i kontanter for hver Prosafe Production-aksje. Slik økning av Vederlaget skal ikke anses som en tilbaketrekning av Tilbudet eller fremsettelsen av et revidert tilbud, og aksjeeiere i Prosafe Production som har akseptert Tilbudet vil derfor ikke være berettiget til å trekke sin aksept av den grunn.

20.14 Offentliggjøringer

Enhver endring av Tilbudet, om noen, vil bli fulgt av en offentliggjørelse gjennom Oslo Børs' informasjonssystem (www.newsweb.no) under BW Offshores ticker ("BWO") så snart som praktisk mulig og ikke senere enn kl 09.00 (norsk tid) på virkedagen etter slik endring (eller slikt senere tidspunkt og/eller dato som er tillatt under norsk lov). I tillegg vil BW Offshore be om at slike meldinger også offentliggjøres på Prosafe Productions ticker ("PROD"). Uten å begrense måten BW Offshore måtte velge å foreta offentliggjøringer, og med forbehold om BW Offshores plikter under gjeldende lovgivning, vil BW Offshore ikke ha noen plikt til å publisere, kunngjøre eller på annen måte kommunisere noen slike offentliggjørelser på annen måte enn gjennom Oslo Børs' informasjonssystem (www.newsweb.no).

20.15 Kostnader

De estimerte kostnadene knyttet til Tilbudet er NOK 50 millioner (USD 8 millioner) (eksklusive MVA). Kostnadene pådratt i forbindelse med Tilbudet vil bli båret av BW Offshore.

Tilbyder betaler de provisjoner og transaksjonskostnader i VPS som har direkte tilknytning til Tilbudet, dvs. kostnader som oppstår i forbindelse med registrering og behandling av akseptene, overføring av Prosafe Production-aksjene og kostnader i forbindelse med oppgjør til aksepterende aksjeeiere. Dette innebærer at aksjeeiere som aksepterer Tilbudet ikke vil bli belastet med kurtasje eller lignende kostnader som direkte relaterer seg til overføring av aksjer i VPS i forbindelse med Tilbudet. Alle eventuelle andre utgifter som den enkelte aksjeeier i Prosafe Production pådrar seg, for eksempel rådgivningstjenester og andre transaksjonskostnader, dekkes ikke av Tilbyder.

20.16 Utvanning

De eksisterende aksjeeierne i BW Offshore vil bli utvannet med 33,8 % som en konsekvens av Tilbudet og utstedelsen av Vederlagsaksjene til aksjeeierne i Prosafe Production, forutsatt at alle aksjeeiere i Prosafe Production aksepterer Tilbudet.

20.17 Betydningen av gjennomføringen av Tilbudet

20.17.1 Generelt

Tilbudet vil kunne resultere i at BW Offshore blir eier av alle aksjer i Prosafe Production gyldig frembudt under Tilbudet slik at BW Offshore blir underlagt reglene om tilbudsplikt og lovgivningen om tvungen overføring av aksjer som nærmere beskrevet i Kapittel 20.17.4 "Tilbudsplikt" og Kapittel 20.17.5 "Tvungen overføring av aksjer" nedenfor.

BW Offshore har ikke identifisert noen jurisdiksjoner hvor transaksjonen forutsetter melding til konkurransemyndigheter, men slike meldinger vil bli foretatt dersom og når slike identifiseres. BW Offshore har ikke identifisert at det kreves noen andre regulatoriske samtykker enn samtykke i henhold til "Bermuda Exchange Control Act 1972" (med tilhørende forskrifter) fra "Bermuda Monetary Authority" for utstedelsen og overføringen av Aksjer til og mellom ikke-innbyggere i Bermuda av valutakontrollhensyn. Slikt samtykke er ikke påkrevet dersom Aksjene forblir notert på en nærmere utpekt børs, som også inkluderer Oslo Børs. Dette Tilbudsdokumentet vil bli inngitt til selskapsregisteret ("Registrar of Companies") på Bermuda i henhold til den gjeldende lovgivningen på Bermuda. Gjennom avgivelsen av en slik godkjennelse og gjennom aksepten av dette Tilbudsdokumentet for registrering, påtar verken "Bermuda Monetary Authority" eller selskapsregisteret ("Registrar of Companies") seg noen form for ansvar eller aksept knyttet til BW Offshores finansielle stilling eller til riktigheten av noen uttalelser eller oppfatninger uttrykt i dette Tilbudsdokumentet.

Dersom Tilbudet blir gjennomført, har BW Offshore til hensikt å søke om en strykning fra Oslo Børs, som videre beskrevet i Kapittel 20.17.6 "Strykning fra Oslo Børs" nedenfor.

20.17.2 Betydning for ansatte

BW Offshore vil så raskt som mulig søke de synergier som er forventet fra sammenslåingen av de to selskapers virksomhet ("Sammenslåingen"). Dette vil kunne påvirke det totale antall ansatte i den kombinerte gruppen ettersom måter å kombinere og strømlinjeforme operasjonene vil bli utforsket. Sammenslåingen er forventet å skape en av de største aktørene i FPSO-sektoren og den økte aktiviteten som følger av dette vil skape betydelige muligheter for de ansatte i den kombinerte gruppen. Utover dette forventer ikke BW Offshore at gjennomføringen av Tilbudet vil ha rettslige, økonomiske eller arbeidsmessige virkninger for de ansatte i Prosafe Production eller BW Offshore.

20.17.3 Uttalelse fra styret i Prosafe Production

Styret i Prosafe Production er etter verdipapirhandelloven § 6-16 pålagt å offentliggjøre sitt syn på Tilbudet senest én uke før Tilbudsperiodens utløp. Tilbudet er ikke fremsatt i forståelse med eller etter avtale med styret i Prosafe Production, og BW Offshore har ikke identifisert noe som skulle tilsi at Oslo Børs må nominere en annen part til å avgi slik uttalelse, jf verdipapirhandelloven § 6-16 (4).

20.17.4 Tilbudsplikt

Dersom BW Offshore, til tross for betingelsen om minimumsaksept for mer en 90 % angitt under Kapittel 5.10 ”Vilkår for gjennomføringen av Tilbudet”, aksepterer og overtar gjennom Tilbudet aksjer i Prosafe Production som resulterer i et totalt aksjeinnehav tilvarende eller mer enn 30 %, men ikke mer enn 50 %, av den totale den totale aksjekapitalen i Prosafe Production, vil BW Offshore i henhold til kypriotisk lov måtte fremsette et pliktig og ubetinget tilbud om kjøp av de øvrige aksjene i Prosafe Production.

BW Offshore vil også i henhold til kypriotisk lov måtte fremsette et pliktig og ubetinget tilbud om kjøp av de øvrige aksjene i Prosafe Production, dersom BW Offshore kjøper Prosafe Production-aksjer utenfor Tilbudet som medfører at det totale aksjeinnehavet tilsvarer eller overstiger 30 %.

Dersom et pliktig tilbud må fremsettes som ovenfor, må tilbudsprisen pr aksje i henhold til norsk rett være minst like høy som det høyeste vederlag som BW Offshore har betalt i den forutgående perioden på 6 måneder før tilbudsplikten inntrådte.

Dersom BW Offshore som et resultat av Tilbudet eller det pliktige tilbudet nevnt ovenfor, blir innehaver av minst 90 % av aksjene i Prosafe Production, vil BW Offshore være berettiget under relevant lovgivning (særlig kypriotisk rett), og dersom innehavet blir mer enn 90 % av aksjene, i henhold til relevant lovgivning samt vedtektene til Prosafe Production, til å kreve en tvungen overføring av de øvrige aksjene i Prosafe Production, jf Kapittel 20.17.5 ”Tvungen overføring av aksjer” nedenfor.

20.17.5 Tvungen overføring av aksjer

Dersom BW Offshore blir innehaver av minst 90 % av aksjene i Prosafe Production gjennom Tilbudet eller et pliktig tilbud om kjøp av alle aksjene i Prosafe Production som beskrevet i Kapittel 20.17.4 ”Tilbudsplikt” ovenfor har BW Offshore til hensikt å utøve retten til å kreve tvungen overføring av de samtlige aksjer i Prosafe Production.

Ved utøvelsen av retten til å kreve en tvungen overføring av de øvrige aksjene i Prosafe Production, er BW Offshore forpliktet til å overholde, etterfølge og oppfylle følgende:

- For det tilfellet at BW Offshore blir innehaver av minst 90 % av aksjekapitalen i Prosafe Production, de relevante bestemmelser under kypriotisk rett, og;

- For det tilfellet at BW Offshore blir innehaver av mer enn 90 % av aksjekapitalen i Prosafe Production, de relevante bestemmelser under kypriotisk rett og de som følger av vedtektene til Prosafe Production så langt vedtektsbestemmelsene ikke er i konflikt med bestemmelsene under kypriotisk rett.

20.17.6 Strykning fra Oslo Børs

BW Offshore har til hensikt å fremme forslag for generalforsamling i Prosafe Production om at det søkes om en strykning fra Oslo Børs, med mindre Oslo Børs selv velger å stryke aksjene før søknaden mottas av børsen. Vedtaket om å søke om en strykning fra Oslo Børs krever tilslutning fra minst 2/3 av de avgitte stemmer og 2/3 av den aksjekapital som er representert på generalforsamlingen. Oslo Børs vil kunne nekte en strykning av aksjene fra Oslo Børs av hensyn til aksjeeierne i Prosafe Production.

20.18 Kjøp av Prosafe Production-aksjer utenfor Tilbudet

BW Offshore forbeholder seg retten til å kjøpe Prosafe Production-aksjer utenfor Tilbudet gjennom Tilbudsperioden i tråd med gjeldende lovgivning. I slike tilfeller, hvis BW Offshores totale aksjeinnhav strekker seg til eller overskrider 30 %, vil det utløse et pliktig ubetinget tilbud som beskrevet i Kapittel 20.17.4 ”Tilbudsplikt” ovenfor.

20.19 Rådgivere

De finansielle rådgivere knyttet til Tilbudet er Carnegie og HSBC Bank plc (“HSBC”, og sammen med Carnegie, de ”Finansielle Rådgiverne”), og Advokatfirmaet Thommessen AS er Tilbyders juridiske rådgiver på norsk rett i tilknytning til Tilbudet.

20.20 Skatt

Hver enkelt aksjeeier i Prosafe Production er ansvarlig for eventuell skatt som pådras som følge av aksept av Tilbudet. En kort beskrivelse av enkelte skattemessige konsekvenser ved Tilbudet for aksjeeiere i Prosafe Production er inntatt i Kapittel 18 "Taxation" ovenfor. Aksjeeiere i Prosafe Production rådes til å søke råd fra deres egne skatterådgivere for å avklare den enkeltes skattekonsekvenser ved en aksept av Tilbudet samt relevansen og gyldigheten av eventuelle innenlandske eller internasjonale skatteavtaler.

20.21 Lovvalg og verneting

Tilbudet og enhver aksept av dette skal være underlagt norsk rett, men enkelte juridiske forhold vedrørende Tilbudet er underlagt kypriotisk rett, se Kapittel 4.1 "Restrictions" ovenfor.

Enhver tvist som måtte oppstå i tilknytning til Tilbudsdokumentet eller Akseptformularet som ikke kan løses i minnelighet, skal løses av norske domstoler med Oslo tingrett som eksklusivt verneting.

20.22 Annen informasjon

Dette Tilbudsdokument er sendt til alle registrerte aksjeeiere i Prosafe Production pr 27. juli 2010 til den adresse som er registrert på den enkelte aksjeeiers VPS-konto, dog underlagt de restriksjoner som gjelder for visse jurisdiksjoner og som er beskrevet i under Kapittel 4.1 "Restrictions" ovenfor.

Det vil ikke bli gitt noen bekreftelse på mottak av aksepter eller andre dokumenter fra Tilbyder eller på Tilbyders vegne.

Ekstra kopier av Tilbudsdokumenter vil bli gjort tilgjengelige på forespørsel, og innen normal kontortid hos:

Carnegie ASA
Stranden 1 – Aker Brygge
Postboks 684 Sentrum
0106 Oslo
Norge
www.carnegie.no
Telefon: +47 22 00 93 20
Telefaks: +47 22 00 99 60

21 DEFINITIONS AND GLOSSARY OF TERMS

The following definitions and glossary apply in this Offer Document unless otherwise dictated by the context, including the foregoing pages of this Offer Document.

Definitions

Acceptance Form:	The form of acceptance to be distributed and used by Prosafe Production shareholders when accepting the Offer. The Acceptance Form is enclosed as Appendix 1 to this Offer Document, and in the Norwegian language in Appendix 2.
APL:	APL (Advanced Production & Loading) Plc.
Bermuda Companies Act:	The Companies Act 1981 of Bermuda, as amended from time to time.
Board or Board of Directors:	The board of directors of the Company.
Business Day:	Any day except a Saturday, Sunday or any other day on which commercial banking institutions in Norway are not open for general business.
BW Gas:	BW Gas Limited.
BW Group:	BW Group Limited or BW Group and its subsidiaries as required by the context.
BW Offshore Group:	The Company and its subsidiaries.
Bye-Laws:	The Bye-laws of the Company, adopted on 20 April 2006.
Carnegie:	Carnegie ASA.
CEO:	Chief Executive Officer.
CET:	Central European Time.
CFO:	Chief Financial Officer.
Combination:	The combination of the businesses of BW Offshore and Prosafe Production by way of BW Offshore acquiring the shares in Prosafe Production in exchange for newly issued Shares in BW Offshore in combination with cash.
Company or BW Offshore:	BW Offshore Limited, or BW Offshore Limited and its subsidiaries, as required by the context.
Consideration:	1.2 Shares in BW Offshore plus NOK 2.00 in cash for each Prosafe Production share.
Consideration Shares:	The Shares to be issued by BW Offshore in the Offer as consideration for the Prosafe Production shares.
DNV:	Det Norske Veritas.
EEA State:	Any state party to the European Economic Area.
EBIT:	Earnings Before Interests and Taxes.
EBITDA:	Earnings Before Interests, Taxes, Depreciation and Amortisation.
EUR:	Euro, the single currency of the European Union member states participating in the European Monetary Union.
Financial Advisers:	Carnegie ASA and HSBC Bank plc.
HSBC:	HSBC Bank plc.
HSEQ:	Health, safety, environment and quality.
IEA:	International Energy Agency.
IFRS:	International Financial Reporting Standards as adopted by the European Union.
IMA:	International Maritime Associates, Inc.
IMF:	International Monetary Fund.
KEI:	Kangean Energy Indonesia.
NFSA:	The Norwegian Financial Supervisory Authority (*Nw.: Finanstilsynet*).
NOK:	Norwegian Kroner, the lawful currency of the Kingdom of Norway.
Norwegian Public Limited Liability Companies Act:	The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45, as amended from time to time (*Nw.: Allmennaksjeloven*).
Norwegian Securities Trading Act:	The Norwegian Securities Trading Act of 29 June 2007 no. 75 *(Nw.: Verdipapirhandelloven).*
Offer or Exchange Offer:	The voluntary offer made by BW Offshore to acquire all the issued and outstanding Prosafe Production shares not previously owned by BW Offshore in accordance with Section 6-18 of the Norwegian Securities Trading Act, as set forth in Section 5 "The Offer" of this Offer Document.
Offer Document:	This offer document and information memorandum containing equivalent information as a prospectus dated 27 July 2010.
Offer Period:	The period from and including 29 July 2010 to and including 25 August 2010 at 17:30 (CET), and any extension thereof as specified by BW Offshore pursuant to the terms of the Offer.
OPEC:	Organisation for Petroleum Exporting Countries.
Oslo Børs:	Oslo Børs ASA (the Oslo Stock Exchange).
Prosafe Production:	Prosafe Production Public Limited.
Prosafe Production Group:	Prosafe Production and its subsidiaries.
Registrar:	DnB NOR Bank ASA.
SGD:	Singapore Dollars.

Shares:	The shares in the share capital of the Company, each with a par value of USD 0.01.
TSB:	Terang Sirasun Batur.
Turret Business:	Prosafe Production's turret and swivel business.
USD:	United States Dollars, the lawful currency of the United States of America.
VPS:	The Norwegian Central Securities Depository, who organises the Norwegian paperless securities registration system (*Nw.: Verdipapirsentralen*).

Glossary of Terms

Terms and expressions used in the oil and gas industry and technical terms used in the description of the Company are set out below.

Aframax:	Oil tanker of between 80,000 and 12,000 DwT.
Bbl:	Barrels of oil (One barrel of oil (=159 liter)).
bbl/d:	Barrels of oil per day.
CIRR:	Commercial Interest Reference Rate.
Dwt:	Dead-weight ton. A vessel's cargo-carrying capacity measured in tons.
EPCI:	Engineering, Procurement, Commissioning, Installation.
E&P:	Exploration and Production.
FDPSO:	Floating Drilling, Production, Storage and Offloading.
FPSO:	Floating Production, Storage and Offloading.
FSO:	Floating Storage and Offloading.
GDP:	Global gross domestic product.
GoM:	Gulf of Mexico.
ISO:	International Organization for Standardization.
Km:	Kilometres.
LPG:	Liquefied Petroleum Gas.
Meters3:	Cubic metres.
mmscf/d:	Million standard cubic feet gas per day.
OHSAS:	Occupational Health & Safety Assessment Series.
Spar:	Name of cylindrical floating production platform concept.
Suezmax:	Oil tanker of about 150,000 Dwt.
STP:	Submerged Turret Production Buoy.
Turret:	Single point mooring system with fluid transfer system (swivel).
ULCC:	Ultra Large Crude Carrier.
VLCC:	Very Large Crude Carrier.
VLGC:	Very Large Gas Carrier.

APPENDIX 1

ACCEPTANCE FORM

Acceptance Form

This acceptance form (the "**Acceptance Form**") shall be used when accepting the voluntary offer (the "**Offer**") made by BW Offshore Limited ("**BW Offshore**") to acquire all outstanding shares in Prosafe Production Public Limited ("**Prosafe Production**"), not currently owned by BW Offshore, on the terms and conditions set forth in the offer document dated 27 July 2010 (the "**Offer Document**") to which this Acceptance Form is attached.

Shareholder:

Properly completed and signed acceptance forms may be faxed, sent by post or delivered to:

Carnegie ASA
Stranden 1, Aker Brygge
P.O.Box 684 Sentrum
0106 Oslo, Norway
Tel: +47 22 00 93 20
Fax: +47 22 00 99 60

The shareholders' register of Prosafe Production as of 27 July 2010 shows:

VPS account:	No. of shares:	Rights holders registered:

ACCEPTANCE DEADLINE:

This Acceptance Form must be received by Carnegie ASA ("Carnegie") by 17.30 hours (CET) on 25 August 2010. Shareholders with Prosafe Production shares registered on several VPS accounts will receive one Acceptance Form for each VPS account. Accepting shareholders ("Acceptant") must return all Acceptance Forms received, properly completed and signed, within the acceptance deadline. BW Offshore reserves the right to reject any or all incorrect, delayed or illegally undertaken acceptances and to treat any incorrect or delayed acceptances for valid.

To BW Offshore and Carnegie:

1. I/We confirm that I/we have received and reviewed the Offer Document and hereby accept the Offer for all my/our Prosafe Production shares in accordance with the terms and conditions set forth in the Offer Document. My/our acceptance also comprises any Prosafe Production shares which I/we, have acquired or will acquire prior to the deadline of the acceptance of the Offer and which will be registered in the VPS.
2. I/We accept that I/we may not sell, otherwise dispose of, encumber or transfer to another VPS account, the Prosafe Production shares tendered hereunder. Furthermore, I/we irrevocably authorize Carnegie block the shares on the above-mentioned VPS-account in favour of Carnegie on behalf of BW Offshore. I/we accept that BW Offshore is entitled to extend the Offer Period one or more times, although not beyond 6 October 2010 at 17:30 (CET).
3. Carnegie is given irrevocable authorisation to debit my/our VPS-account, and to transfer the shares tendered hereunder to BW Offshore upon settlement of the Offer.
4. I/We accept that settlement will be made by way of transfer of BW Offshore shares to my/our VPS account and Norwegian kroner (NOK) to the bank account used by the VPS for dividend payments, or, if there is no record of such account, payment will be sent by bankers' draft. For shareholders who do not hold a bank account with a Norwegian bank, payment details for offshore payments must be included, such as name of the bank, SWIFT/BIC, IBAN, or similar payment codes depending on the jurisdiction where the bank account is located.

   Fill in here (if relevant):________________________ ________________________________ __________________________________
   Bank SWIFT/BIC-code IBAN-number

5. My/Our Prosafe Production shares are transferred free of any encumbrances and any other third party right whatsoever and with all shareholder rights attached to them. Any third party with registered encumbrances or other third-party rights over my/our Prosafe Production shares and/or VPS account(s) must sign the Acceptance Form and thereby waive their rights therein and approve the transfer of my/our Prosafe Production shares to BW Offshore free of any encumbrances and any other third party right whatsoever for the acceptance to be valid.
6. BW Offshore will pay my/our costs directly related to the VPS transactions in connection with my/our acceptance of the Offer.
7. I/We acknowledge that the Offer will only be completed if the conditions set forth in the Offer Document are satisfied or waived.
8. I/We acknowledge that my/our acceptance is irrevocable, but that I/we shall be released from my/our acceptance if BW Offshore has not prior to 22 October 2010 announced that the conditions to the Offer set forth in the Offer Document have been satisfied or waived.
9. This Acceptance Form and the Offer is subject to Norwegian law with the Oslo District Court as legal venue.
10. I/We represent that I/we am/are permitted by all applicable law to accept the Offer and has complied with all applicable legal requirements so that the Offer may be made to, and accepted by, me/us under the laws of all relevant jurisdictions.
11. I/we acknowledge that any U.S. person or a person within the United States wishing to accept the Offer must together with this Acceptance Form submit a duly executed U.S. Offeree Representation Letter in the form available from Carnegie. If I/we have submitted the Acceptance Form without also submitting a U.S. Offeree Representation Letter, I/we will be deemed to have represented and warranted to BW Offshore and Carnegie that I/we (a) am/are not a U.S. person, (b) am/are accepting the Offer in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act and in compliance with such regulation and (c) am/are not accepting the Offer from within Canada, Australia, South-Africa or Japan or any other jurisdiction in which I/we may not lawfully do so.

Place Date Telephone no. Signature *)

*) If signed pursuant to proxy, a proxy form or company certificate confirming the authorised signature must be enclosed.

Rights holder(s): In the event that there is registered holder(s) of rights on the VPS-account this is marked with a YES above in the right-hand box of this Acceptance Form. As rights holder the undersigned consents that the transaction is undertaken on the above-mentioned terms.

Place Date Telephone no. Rights holder's signature *)

*) If signed pursuant to proxy, a proxy form or company certificate confirming the authorised signature must be enclosed. If more than one charge holder is registered, each of the charge holders must sign.

APPENDIX 2

NORWEGIAN LANGUAGE ACCEPTANCE FORM (*NW.: AKSEPTFORMULAR*)

Akseptformular

Dette akseptformularet ("**Akseptformularet**") benyttes for aksept av det frivillige tilbudet ("**Tilbudet**") fra BW Offshore Limited ("**BW Offshore**") om kjøp av samtlige utestående aksjer i Prosafe Production Public Limited ("**Prosafe Production**"), som ikke er eiet av BW Offshore, på de vilkår og betingelser som fremgår av tilbudsdokumentet datert 27. juli 2010 ("**Tilbudsdokumentet**"), som dette Akseptformularet er et vedlegg til.

Aksjeeier:	**Korrekt utfylt og signert akseptformular returneres per telefaks, post eller leveres til:** Carnegie ASA Stranden 1, Aker Brygge Postboks 684 Sentrum 0106 Oslo, Norge Tel: +47 22 00 93 20 **Fax: +47 22 00 99 60**

Aksjeeierregister for Prosafe Production pr 27. juli 2010 viser:

VPS-konto:	Antall aksjer:	Rettighetshaver registrert:

AKSEPTFRIST

Dette Akseptformularet må være mottatt av Carnegie ASA ("Carnegie") innen kl 17.30 (norsk tid) den 25. august 2010. Aksjeeiere med Prosafe Production-aksjer registrert på flere VPS-konti vil motta ett Akseptformular for hver konto. Aksepterende aksjeeiere ("Akseptanter") må returnere samtlige mottatte Akseptformularer korrekt og fullstendig utfylt og signert innen akseptfristens utløp. BW Offshore forbeholder seg retten til å forkaste enhver eller alle uriktige, forsinkede eller ulovlige aksepter og til å behandle enhver uriktig eller forsinket aksept som gyldig.

Til BW Offshore og Carnegie:

1. Jeg/vi bekrefter at jeg/vi har mottatt og gjennomgått Tilbudsdokumentet og aksepterer herved Tilbudet for alle mine/våre aksjer i Prosafe Production til BW Offshore på de vilkår som følger Tilbudsdokumentet. Min/vår aksept omfatter også eventuelle aksjer som jeg/vi har ervervet eller vil erverve før utløpet av akseptfristen og som vil bli registrert i VPS.
2. Jeg/vi aksepterer at jeg/vi ikke kan selge eller på annen måte avhende, debitere eller overføre til annen VPS-konto de aksjer i Prosafe Production som er omfattet av denne aksepten. Jeg/vi autoriserer herved Carnegie til å båndlegge aksjene på ovennevnte VPS-konto til fordel for Carnegie på vegne av BW Offshore. Jeg/vi aksepterer at BW Offshore har rett til å forlenge tilbudsperioden én eller flere ganger, dog ikke lenger enn til 6. oktober 2010 kl 17.30 (norsk tid).
3. Jeg/vi gir Carnegie ugjenkallelig fullmakt til å belaste min/vår VPS-konto, og til å overdra aksjene omfattet av aksepten til BW Offshore mot betaling på oppgjørstidspunkt for Tilbudet.
4. Jeg/vi aksepterer at oppgjøret gjennomføres ved overføring av BW Offshore-aksjer til min/vår VPS-konto og norske kroner (NOK) til den bankkontoen som VPS bruker for å utbetale utbytte, eller, dersom det ikke finnes en slik konto vil kontantutbetalingen foretas via utbetalingsanvisning. For aksjonærer som ikke er i besittelse av en norsk bankkonto må det fylles inn betalingsinstruksjoner for betaling til utlandet, slik som IBAN, SWIFT/BIC eller tilsvarende instruksjoner avhengig av hvilken jurisdiksjon bankkontoen tilhører.

   Fyll inn her (hvis relevant):_______________________ ____________________________ __________________________

   Bank SWIFT/BIC kode IBAN nummer
5. Mine/våre aksjer i Prosafe Production overdras fri for heftelser og enhver annen tredjepartsrett og med alle tilhørende aksjonærrettigheter. Aksepten vil bare anses som gyldig dersom alle tredjeparter med registrerte heftleser eller andre tredjepartsretter over mine/våre Prosafe Production-aksjer og/eller min/vår VPS-konto, har signert dette Akseptformularet og dermed frafalt deres rettigheter og samtykket til overføringen av Prosafe Production-aksjene til BW Offshore fri for heftelser og enhver annen tredjepartsrett.
6. BW Offshore vil dekke mine/våre kostnader direkte relatert til VPS-transaksjonene i forbindelse med min/vår aksept av Tilbudet.
7. Jeg/vi erkjenner at Tilbudet bare vil gjennomføres dersom vilkårene angitt i Tilbudsdokumentet oppfylles eller frafalles.
8. Jeg/vi erkjenner at min/vår aksept er ugjenkallelig, men at jeg/viskal bli fritatt fra vår aksept dersom BW Offshore ikke innen 22. oktober 2010 har offentliggjort at vilkårene for Tilbudet angitt i Tilbudsdokumentet er oppfylt eller frafalt.
9. Tilbudet og denne aksept er regulert av norsk rett. Eventuelle tvister vil være underlagt norske domstoler, med Oslo tingrett som eksklusivt verneting.
10. Jeg/vi bekrefter at jeg/vi er tillatt under all relevant lovgivning til å akseptere Tilbudet og har overholdt alle lovbestemte krav slik at Tilbudet kan fremsettes til og aksepteres av meg/oss i henhold til lovgivningen i alle relevante jurisdiksjoner.
11. Jeg/vi bekrefter at enhver "U.S. person" eller en person som oppholder seg i USA som ønsker å akseptere Tilbudet må sammen med dette Akseptformularet inngi et korrekt utfylt "U.S. Offeree Representation Letter" i skjema tilgjengelig fra Carnegie. Hvis jeg/vi har inngitt Akseptformularet uten også å inngi et "U.S. Offeree Representation Letter", vil jeg/vi anses for å ha innestått og garantert overfor BW Offshore og Carnegie at jeg/vi (a) ikke er en "U.S. person", (b) aksepterer Tilbudet i en "offshore transaction" innenfor betydningen i "Regulation S" under "U.S. Securities Act" og i tråd med slike regler og (c) ikke aksepterer Tilbudet innenfor Canada, Australia, Sør-Afrika eller Japan eller innenfor noen annen jurisdiksjon hvor jeg/vi ikke lovlig kan gjøre dette.

Sted	Dato	Tlf. dagtid	Signatur *)

*) *Dersom akseptformularet undertegnes i henhold til fullmakt, skal fullmakten og firmaattest vedlegges*

Rettighetshaver(e):

Dersom det er registrert rettighetshaver(e) på VPS-kontoen, vil dette fremgå som et "Ja" i boksen øverst til høyre i dette Akseptformularet. Som rettighetshaver(e) gir jeg/vi vårt samtykke til at transaksjonen gjennomføres på de ovennevnte betingelser.

Sted	Dato	Tlf. dagtid	Rettighetshavers signatur *)

*) *Dersom akseptformularet undertegnes i henhold til fullmakt, skal fullmakten og firmaattest vedlegges*

APPENDIX 3

INDEPENDENT ASSURANCE REPORT BY PRICEWATERHOUSECOOPERS AS ON THE PRO FORMA FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers AS
Postboks 748 Sentrum
NO-0106 Oslo
Telefon +47 95 26 00 00

To the Directors and Shareholders of BW Offshore Limited

Independent assurance report on pro forma financial information

We have examined the Pro Forma Financial Information in Section 6 of the offer document and information memorandum (the "Offer Document") prepared by BW Offshore Limited (the "Company"), comprising the pro forma condensed consolidated statement of financial position of the Company as of 31 March 2010, the related pro forma condensed and combined consolidated income statement for the 3 months then ended and the pro forma condensed and combined consolidated income statement for the year ended 31 December 2009. This Pro Forma Financial Information has been prepared for illustrative purposes solely to show what the significant effects on the consolidated accounts of the Company might have been had the Combination and the Offer described in Section 5 of the Offer Document occurred at an earlier date. This Pro Forma Financial Information is the responsibility of the Board of Directors of the Company. It is our responsibility to provide the opinion required by item 7 of Annex II to the EU Regulation No 809/2004 as included in Section 7-13 of the Norwegian Securities Trading Act. We are not responsible for expressing any other opinion on the pro forma financial information or on any of its constituent elements.

We conducted our examination in accordance with the Norwegian Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". Our work consisted primarily of comparing the unadjusted financial information with the source documents, obtaining evidence supporting the adjustments and discussing the pro forma financial information with the Directors of the Company.

Based on our examination, in our opinion:

a) the pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of the issuer.

This report is issued for the sole purpose of the Prospectus required by item 7 of Annex II to the EU Regulation No 809/2004 as included in Section 7-13 of the Norwegian Securities Trading Act as set out in the Offer Document. This report is not appropriate for other jurisdictions than Norway and should not be used or relied upon for any purpose other than to comply with item 7 of Annex II to the EU Regulation No 809/2004. It should be noted that the Pro Forma Financial Information was not prepared in connection with an offering registered with the US Securities and Exchange ("SEC") under the US Securities Act and consequently is not compliant with the SEC's rules on presentation of pro forma financial information. Furthermore, our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards. As such a US investor should not place reliance on the pro forma financial information included in the Offer Document.

Oslo, Norway
27 July 2010
PricewaterhouseCoopers AS

Geir Julsvoll

Geir Julsvoll, State Authorized Public Accountant (Norway)

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