

# INFORMATION MEMORANDUM AND SUPPLEMENTAL DOCUMENT

In connection with



**BW Offshore's**

sale of



A BW Offshore Division

**APL (Advanced Production & Loading) Plc**

to

**National Oilwell Varco, Inc.**

and with supplementing information to the voluntary exchange offer dated 27 July 2010 to acquire all issued and outstanding shares of



**Prosafe Production Public Limited**

made by

**BW Offshore Limited**

**Investing in the Company's Shares involves certain risks. See Section 2 ("Risk Factors") of the Offer Document and Section 1 ("Risk Factors") of this information memorandum and supplemental document.**

**Financial Advisers**



16 September 2010

## ANNOUNCEMENT

This information memorandum and supplemental document (the "Supplemental Document") has been prepared by BW Offshore Limited ("BW Offshore", "BW Offshore Group" or the "Company") in connection with the prospective sale of its shares in APL (Advances Production & Loading) Plc ("APL") to National Oilwell Varco Norway AS, a wholly owned subsidiary of National Oilwell Varco, Inc. ("National Oilwell Varco") (the "APL Transaction"), in order to comply with Section 3.5 of Oslo Børs ASA's ("Oslo Børs") Continuing Obligations. For a description of the APL Transaction, cf. Section 5.1 ("Description of the APL Transaction") below. Further, this Supplemental Document has been prepared to comply with the requirements regarding public offer and listing of shares set out in Chapter 7 of the Norwegian Securities Trading Act. However, this Supplemental Document has not been prepared to comply with the requirements regarding voluntary bid in connection with takeovers as set out in Chapter 6 of the Norwegian Securities Trading Act.

This Supplemental Document is a supplement to the offer document and information memorandum containing equivalent information as a prospectus dated 27 July 2010 (the "Offer Document") relating to the voluntary exchange offer to acquire all issued and outstanding shares of Prosafe Production Public Limited ("Prosafe Production") made by BW Offshore (the "Offer"). The information herein is to be considered as part of the Offer Document and as part of the basis for any decision of investment in the Company's Shares. This Supplemental Document is to be read in connection with the Offer Document. However, this Supplemental Document has not been reviewed nor approved by Oslo Børs in accordance with Section 6-14 of the Norwegian Securities Trading Act. All information in the Offer Document shall continue to apply as of the date thereof to the extent it has not been amended, supplemented or deleted by this Supplemental Document and certain relevant sections of the Offer Document have also been incorporated by reference into this Supplemental Document, cf. Section 18.3 ("Incorporation by Reference"). The Offer Document is available at [www.bwoffshore.com](http://www.bwoffshore.com). Capitalised terms used herein shall have the meaning ascribed to them in the Offer Document unless otherwise explicitly stated.

### **This Supplemental Document contains information important to the Offer.**

This Supplemental Document has been submitted to Oslo Børs for review before publication in accordance with Section 3.5 of Oslo Børs' Continuing Obligations and by the Financial Supervisory Authority of Norway (the "NFSA") in accordance with Section 7-15 cf. Sections 7-4 no 6 and 7-5 no 7 of the Norwegian Securities Trading Act. This Supplemental Document has not been reviewed nor approved by Oslo Børs in accordance with the rules that apply to a prospectus. This Supplemental Document has been published in an English version only.

This Supplemental Document will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. In granting such consent and in accepting this Supplemental 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 Supplemental Document.

All inquiries relating to this Supplemental Document shall be directed to the Company or the Company's financial advisers, Carnegie ASA ("Carnegie") and HSBC Bank plc ("HSBC") in respect of the Offer, and Carnegie in respect of the APL Transaction (hereinafter together referred to as 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/or any matter referred to in the Offer Document or this Supplemental Document, 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/or any matter referred to in the Offer Document or this Supplemental Document and will not be responsible to anyone other than the Company for providing advice in relation to the Offer and/or any matter referred to in the Offer Document or this Supplemental 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, National Oilwell Varco 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 Supplemental Document. Neither the publication nor the distribution of this Supplemental 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 Supplemental Document is correct as of any time since its date.

Investors that have accepted the Offer before the publishing of this Supplemental Document have the right to withdraw their acceptance within two days after the publishing of this Supplemental Document, cf. Section 7-21, sub-section 2 of the Norwegian Securities Trading Act, cf. Section 4.4 ("Right to Withdraw Acceptances") below.

**Norwegian: Investorer som på et tidspunkt forut for offentliggjøringen av dette "Supplemental Document" har akseptert BW Offshores tilbud om å kjøpe samtlige utstedte og utestående aksjer i Prosafe Production, som annonsert i tilbudsdokumentet datert 27. juli 2010, vil ha en rett til å tilbakekalle sin aksept innen to dager etter offentliggjøringen av dette "Supplemental Document", dvs innen 20. september 2010 kl 17.30 (CET), jf. verdipapirhandelloven § 7-21, annet avsnitt. For å benytte seg av denne retten, må den enkelte investor kontakte Carnegie per e-post, telefaks eller ved fysisk oppmøte i Carnegies kontorer innen utløpet av den angitte todagersfristen: Carnegie ASA, Stranden 1, Aker Brygge, postboks 684 Sentrum, 0106 Oslo, Norge, [www.carnegie.no](http://www.carnegie.no), telefaks: +47 22 00 99 60. Investorer som på et tidspunkt forut for offentliggjøringen av dette Supplemental Document har akseptert BW Offshores tilbud om å kjøpe samtlige utstedte og utestående aksjer i Prosafe Production, og som ikke har benyttet sin rett til å tilbakekalle sin avgitte aksept innen den angitte todagersfristen, anses for å ha akseptert det justerte tilbudet og vil således ikke behøve å sende inn nytt akseptformular.**

Any dispute arising with regard to this Supplemental Document is subject to Norwegian law.

**Investing in the Company's Shares involves certain risks. See Section 2 ("Risk Factors") of the Offer Document (incorporated by reference hereto) and Section 1 ("Risk Factors") of this Supplemental Document.**

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## **1 RISK FACTORS**

*Investing in BW Offshore involves inherent risks. Prospective investors should consider, among other things, the risk factors set out in Section 2 ("Risk Factors") of the Offer Document (incorporated by reference hereto) and this Supplemental Document before making an investment decision. The risks described in Section 2 ("Risk Factors") of the Offer Document and 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 described in Section 2 ("Risk Factors") of the Offer Document and set forth below, and elsewhere in the Offer Document and this Supplemental 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.*

*For risk factors relating to (i) the Offer and the Combination, (ii) the Company and the industry in which the Company operates, (iii) the Company's financing, and (iv) the Company's Shares, see Section 2.1 ("General"), Section 2.2 ("Risk Factors Relating to the Offer and the Combination"), Section 2.3 ("Risk Factors Relating to the Company and the Industry in which it Operates"), Section 2.4 ("Risk Factors Relating to the Company's Financing") and Section 2.5 ("Risk Factors Relating to the Shares") in the Offer Document (incorporated by reference hereto).*

### **1.1 Risk Factors Relating to the APL Transaction**

#### *1.1.1 Completion is subject to a number of conditions*

On 12 September 2010, BW Offshore Cyprus Ltd, a wholly owned subsidiary of BW Offshore, entered into a share purchase agreement (the "Share Purchase Agreement") for the sale of all its shares in its subsidiary APL to National Oilwell Varco Norway AS, a wholly owned subsidiary of National Oilwell Varco.

Although the Share Purchase Agreement has been signed prior to publication of this Supplemental Document, the completion of the APL Transaction is conditional upon certain customary conditions, among other things, receipt of regulatory and governmental approvals and third party consents, no material adverse effect having occurred, correctness of warranties, the parties entering into certain other ancillary agreements and the parties otherwise complying with the Share Purchase Agreement. Further, the completion of the APL Transaction is subject to approval by the boards of National Oilwell Varco and BW Offshore, as further described in Section 5.1.3 ("Conditions to the APL Transaction"). If the conditions are not satisfied or waived, the APL Transaction will not complete.

#### *1.1.2 The purchase price in the Share Purchase Agreement is subject to adjustments and BW Offshore is exposed to warranty claims and other risks*

As consideration for the purchase of APL, National Oilwell Varco shall pay USD 500 million in cash to BW Offshore, adjusted for cash, debt and deviations from an agreed level of working capital of the APL Group (as defined below) at the time of completion of the APL Transaction. Accordingly, depending on the level of cash and debt, as well as deviations from the agreed working capital, the actual consideration paid to BW Offshore may amount to less than USD 500 million.

The Share Purchase Agreement also includes customary warranties given by BW Offshore in relation to, *inter alia*, APL's accounts, assets, intellectual property, agreements, taxes and relationship with BW Offshore. If there is a breach of any of the warranties after completion of the APL Transaction, and this results in a loss for National Oilwell Varco, BW Offshore may be obligated to compensate National Oilwell Varco, provided, however, that the Share Purchase Agreement includes customary limitations both with regard to the maximum liability for BW Offshore and the warranty period.

The Share Purchase Agreement further includes provisions that places with BW Offshore the risks related to payment for outstanding receivables, including certain receivables that are disputed. This implies that BW Offshore may need to compensate National Oilwell Varco Norway AS in the event payment on outstanding receivables falls short of the book value of such receivables as of the date of completion of the APL Transaction, and also that BW Offshore may otherwise suffer loss and incur costs with respect to disputed receivables and/or any counter claims in connection therewith.

The purchase price adjustments, the warranties and the other risks allocated to BW Offshore under the APL Transaction may result in the actual proceeds of the APL Transaction for BW Offshore being less than USD 500 million.

*1.1.3 The Supply Agreement restricts BW Offshore's ability to use other suppliers than APL*

In relation to the APL Transaction, BW Offshore and APL will enter into a supply agreement (the "Supply Agreement"), pursuant to which BW Offshore will purchase on an exclusive basis for five years from APL, and APL will deliver to BW Offshore, certain systems on commercial terms for a period of seven years. Although there are certain exemptions to the exclusive purchase obligation, it could impair BW Offshore's deliveries under contracts with its customers if APL does not deliver services and products at competitive prices or if APL does not continue to be a technology leader, based on a competitive technology.

*1.1.4 The Share Purchase Agreement includes certain restrictive provisions regarding BW Offshore's businesses*

The Share Purchase Agreement places restrictions on the ability of BW Offshore and its subsidiaries to carry out activities in competition with APL's current business for a period of five years. In the event that BW Offshore or its subsidiaries as a result of mergers or acquisitions becomes the controlling owner of competing business, then such business shall be divested or closed down. The above restrictive provisions could reduce the value for BW Offshore of Prosafe Production and other companies or businesses BW Offshore may acquire during the non-competition period. BW Offshore may also have to compensate its wholly or partly owned subsidiaries for such divestment or closing down.

## **2 RESPONSIBILITY FOR THE SUPPLEMENTAL DOCUMENT**

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 Supplemental Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

16 September 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

### **3 RESTRICTIONS AND CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

#### **3.1 Restrictions**

The distribution of this Supplemental Document, any separate summary documentation regarding the APL Transaction, 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") in the Offer Document (incorporated by reference hereto).

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, the Offer Document and this Supplemental 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 Supplemental 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 Supplemental Document is directed only at investment or investment activity to which this Supplemental Document relates is available only to relevant persons and will be engaged in only with relevant persons.

### **3.2 Cautionary Note Regarding Forward-Looking Statements**

This Supplemental 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, the Combination or the APL Transaction, 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 the Offer Document and Section 1 ("Risk Factors") in this Supplemental 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 Supplemental 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.



## **4 THE OFFER**

For information about the Offer, including among other things, (i) the target company – Prosafe Production, (ii) background and reasons for the Offer, (iii) the Offer Price – Consideration, (iv) the financing of the Offer, (v) the Offer Period, (vi) conditions for completion of the Offer, (vii) settlement, and (viii) the Consideration Shares, see Section 5 (“The Offer”) and Appendix 1 (“Acceptance Form”) and Appendix 2 (“Norwegian Language Acceptance Form (*Nw.: Akseptformular*)”) of the Offer Document.

Any amendment of the Offer will be followed by public announcements thereof by a release through Oslo Børs’ information system ([www.newsweb.no](http://www.newsweb.no)) on BW Offshore’s ticker code (“BWO”) as promptly as practicable and no later than 09:00 hours (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”).

This Supplemental Document has not been reviewed nor approved by Oslo Børs in accordance with Section 6-14 of the Norwegian Securities Trading Act.

### **4.1 BW Offshore and Prosafe Production – The Two Companies’ Intention to Combine their Business**

As set forth in the Offer Document, there had been no negotiations between BW Offshore and Prosafe Production with respect to the Offer prior to its release.

However, there has from time to time been a constructive dialogue between the boards of both companies without this leading to specific proposals. These discussions developed quickly in the period from 10 September to 12 September 2010 when BW Offshore invited Prosafe Production to a dialogue to obtain the support for the Offer and for a combination of the two companies from the board of directors of Prosafe Production. Following negotiations, the parties concluded on certain terms to a combination of BW Offshore and Prosafe Production that both companies could endorse, and the companies entered into a combination agreement on 15 September 2010 (the “Combination Agreement”).

Following the entering into of the Combination Agreement, the board of directors of Prosafe Production has announced its recommendation of the Offer to its shareholders. The recommendation from the board of directors of Prosafe Production is attached as Appendix 1 hereto. The board of directors of Prosafe Production has based its recommendation on, inter alia, opinions received from First Securities AS and Pareto Securities AS. Such financial advisers had been engaged by Prosafe Production before Prosafe Production and BW Offshore entered into the Combination Agreement. Oslo Børs has at the time of this Supplemental Document not concluded whether Oslo Børs, in addition to such recommendation, will require a statement on the Offer from an independent third party pursuant to Section 6-16(4) of the Norwegian Securities Trading Act.

Under the Combination Agreement, BW Offshore agreed to increase the cash component of the Consideration by NOK 1.00, resulting in a total Consideration for the Offer of 1.2 Shares in BW Offshore and NOK 3.00 in cash for each share in Prosafe Production, and the board of directors of Prosafe Production agreed to recommend the Offer to its shareholders. The Combination Agreement includes certain customary provisions regarding the conduct of business of Prosafe Production and BW Offshore until the completion of the Offer.

According to the Combination Agreement, Prosafe Production and its advisors will not solicit other alternatives, and has also agreed to certain other customary undertakings towards BW Offshore. Furthermore, BW Offshore has obtained conditional pre-acceptances of the Offer from Prosafe SE and Prosafe Holding Ltd, representing 5,596,997 (2.19%) and 19,778,137 (7.75%) of the shares in Prosafe Production, respectively.

It has been agreed that the combined company shall aim to have a board of directors representing the shareholder groups of both Prosafe Production and BW Offshore and that those board members of BW Offshore and Prosafe Production who are asked to step down from their positions in connection with the election of the board of directors for the combined company shall be entitled to board remuneration for the period until 1 October 2011. Other than this, 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 the Offer Document and this Supplemental Document).

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.

#### **4.2 Extended Offer Period**

Following the announcement made by BW Offshore on 16 September 2010, the Prosafe Production shareholders may accept the Offer in the period from and including 29 July 2010 to 30 September 2010 at 17:30 hours (CET).

The Company may further extend the Offer Period one or more times, however, not beyond 6 October 2010 at 17:30 hours (CET).

#### **4.3 Increased Offer Price**

As announced by BW Offshore on 16 September 2010, BW Offshore has resolved to adjust the Offer by increasing the cash component of the Consideration by NOK 1.00 to NOK 3.00. Accordingly, the total consideration for the Offer is 1.2 BWO shares and NOK 3.00 in cash for each Prosafe Production share.

#### **4.4 Right to Withdraw Acceptances**

Investors having accepted the Offer prior to publishing of this Supplemental Document shall have the right to withdraw their acceptance within two business days following the date of the publishing of this Supplemental Document, i.e. within 20 September 2010 at 17:30 hours (CET), cf. Section 7-21, sub-section 2 of the Norwegian Securities Trading Act. In order to exercise such right, investors must deliver their withdrawal to Carnegie by mail, fax or by hand within the said deadline to:

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

#### **4.5 Acceptance of the Adjusted Offer**

Acceptance of the Offer is made by completing and signing the Acceptance Form, attached as Appendix 2 hereto, and in the Norwegian language in Appendix 3, and returning it to Carnegie as set out in Section 5.9 ("Acceptance of the Offer") of the Offer Document.

Investors having accepted the Offer prior to publishing of this Supplemental Document, and who do not withdraw their acceptances, as further described in Section 4.4 ("Right to Withdraw Acceptances") above, will be deemed to have accepted the adjusted Offer and will not be required to return a new Acceptance Form.

## **5 THE APL TRANSACTION**

### **5.1 Description of the APL Transaction**

#### *5.1.1 Overview of the APL Transaction*

On 12 September 2010, BW Offshore Cyprus Ltd, a wholly owned subsidiary of BW Offshore, entered into the Share Purchase Agreement for the sale of all of its shares in its subsidiary APL to National Oilwell Varco Norway AS, a wholly owned subsidiary of National Oilwell Varco. The APL Transaction includes APL and the following subsidiaries of APL: BW Offshore Norway AS, BW Offshore Singapore Pte Ltd, Advanced Production & Loading Inc, Advanced Production & Loading Pte Ltd, APL do Brasil Ltda, APL UK Ltd, APL Technology AS and BW Offshore France SAS (together with APL, the "APL Group"). As consideration for the purchase of APL, National Oilwell Varco Norway AS shall pay USD 500 million in cash to BW Offshore, adjusted for cash, debt and deviations from an agreed level of working capital of the APL Group at the time of completion of the transaction. BW Offshore expects that the effects of such adjustments will have a positive effect for BW Offshore. In addition, any FPSO related assets, liabilities and personnel of companies in the APL Group, and certain other assets, will be transferred to other entities in the BW Offshore Group prior to completion of the APL Transaction. The effect of this carve-out, on a pro forma basis, is reflected in Section 5.3.3.2 ("Notes to the pro forma financial information - note 1 - Assets and liabilities not included as part of the APL Transaction"). Completion of the APL Transaction is subject to certain conditions as further described in Section 5.1.3 ("Conditions to the APL Transaction") below. The full consideration for the purchase of APL is payable upon completion of APL the transaction.

In connection with the APL Transaction, BW Offshore and APL shall enter into the Supply Agreement, pursuant to which BW Offshore will on an exclusive basis purchase from APL, and APL will deliver to BW Offshore, certain systems on commercial terms for a period of seven years.

The Share Purchase Agreement places restrictions on the ability of BW Offshore and its subsidiaries to carry out activities in competition with APL's current business for a period of five years. In the event that BW Offshore or its subsidiaries as a result of mergers or acquisitions becomes the controlling owner of competing business, then such business shall be divested or closed down.

Further, BW Offshore and APL will, as part of the APL Transaction, enter into a technology agreement (the "Technology Agreement"), pursuant to which the parties will cooperate with respect to technology development.

In addition, as part of the APL Transaction, National Oilwell Varco Norway AS has been granted a one-year option to acquire from BW Offshore, all the shares in APL Property AS for no additional consideration. APL Property AS is the owner of the APL office building in Arendal, Norway.

The Share Purchase Agreement contains customary warranties for a transaction of this nature, size and complexity.

Completion of the APL Transaction is expected to take place before end of the fourth quarter of 2010, subject to satisfaction or waivers of the conditions set forth in Section 5.1.3 ("Conditions to the APL Transaction") below. The Share Purchase Agreement may be terminated by either party if completion has not occurred by 31 December 2010 for any reason other than through the fault of the party seeking to terminate the agreement.

APL and its business are further described in Section 5.2 ("Brief Description of APL") below and Section 11.7 ("APL Division") of the Offer Document (incorporated by reference hereto).

#### *5.1.2 Background and the reasons for the APL Transaction*

BW Offshore's strategic focus is on maximizing shareholder value by obtaining class leading return on invested capital. As part of BW Offshore's business development strategy, the Company is continuously evaluating possibilities with this aim. This may from time to time involve the acquisition or disposal of certain assets or companies.

In 2007, BW Offshore acquired APL, which at that point was regarded as a strategically important step in the development of the Company. The rationale behind the acquisition was to strengthen the Company's market position, enhance engineering and project execution capabilities and create a strong technology edge to offer an integrated service offering to oil companies. The collaboration between the BW Offshore and APL organizations has been successful in attaining this goal. In addition, BW Offshore wanted to ensure access to mooring technology at this crucial point in the development of the Company's business. Mooring technology is an important element in FPSO developments and APL was the only available mooring contractor of significance.

BW Offshore's FPSO business has grown considerably in terms of fleet size, presence, experience and competence since the acquisition of APL in 2007. BW Offshore has in that period completed three large and complex FPSO conversions and is today operating a fleet of six FPSOs and one FSO. BW Offshore has in addition contracted a further three conversion projects that will be in operation in 2-3 years, in addition to one significant engineering, procurement and construction (EPC) job. This development of the Company combined with the proposed transaction to acquire Prosafe Production makes the ownership in APL less strategically important for BW Offshore today.

BW Offshore and National Oilwell Varco are organizations that have known each other for several years and have had informal contact from time to time over the last few years regarding various topics. A possible interest from National Oilwell Varco in acquiring APL has been one such topic which has emerged on occasion without this developing into specific proposals. The discussions changed character and became specific during the summer 2010 and ultimately led to the Share Purchase Agreement subject to approval of the board of directors of BW Offshore and National Oilwell Varco, as further described below.

National Oilwell Varco is a worldwide leader in providing major mechanical components for land and offshore drilling rigs, complete land drilling and well servicing rigs, tubular inspection and internal tubular coatings, drill string equipment, extensive lifting and handling equipment, and a broad offering of downhole drilling motors, bits and tools. National Oilwell Varco also provides supply chain services through its network of distribution service centers located near major drilling and production activity worldwide. National Oilwell Varco has a large footprint in the Norwegian oil service industry and more than 700 worldwide manufacturing, sales and service centers. National Oilwell Varco has a stated strategy to enter the FPSO business as a provider of systems and mechanical components.

The Supply Agreement to be entered into with APL as part of the APL Transaction, as described in Section 5.1.1 ("Overview of the APL Transaction") above, will continue to secure BW Offshore access to APL's products and services on commercial terms for a period of seven years. BW Offshore believes that National Oilwell Varco, through its substantial global manufacturing activity and competence, will be able to contribute significantly to APL's further development of cost effective, reliable and safe turret and mooring technology.

Following the sale of APL, BW Offshore will become a pure-play leading FPSO provider<sup>2</sup> with a portfolio of long term contracts and worldwide operations in all important markets. This will create even better transparency for analyzing the Company from an equity market perspective.

The proceeds from the sale of APL will significantly strengthen the Company's balance sheet and improve strategic flexibility going forward, which will enable further profitable growth for the Company in the present market.

### 5.1.3 Conditions to the APL Transaction

Completion of the APL Transaction is subject to the satisfaction or waiver of a number of customary conditions:

- the receipt of regulatory and governmental approvals which are required in connection with the APL Transaction including, but not limited to, the relevant competition authorities;
- the receipt of third party consents which is required in connection with the APL Transaction, such as certain agreements related to, *inter alia*, lease of office space and banking services;
- completion of the carve-out of certain assets, rights and obligations from the APL Group (see Section 5.1.1 ("Overview of the APL Transaction") above);

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<sup>2</sup> Source: Company information.

- no material adverse effect having occurred that has not been cured;
- correctness of warranties;
- that all intra group debt between the companies in APL Group and companies in the BW Offshore Group has been settled;
- the parties entering into certain ancillary agreements, among other things, the Supply Agreement, the Technology Agreement and a lease agreement for the offices in Arendal, Norway; and
- the parties otherwise complying with the Share Purchase Agreement.

Further, the completion of the APL Transaction is subject to the board of directors of National Oilwell Varco and BW Offshore having approved the APL Transaction and the Share Purchase Agreement.

The Share Purchase Agreement does not include a financing condition.

#### *5.1.4 Interests of certain persons in the APL Transaction*

No agreements have been, or are expected to be, entered into in connection with the APL Transaction for the benefit of the executive management, key employees, or members of the board of directors of BW Offshore or APL.

#### *5.1.5 The BW Offshore Group's position in its markets following the APL Transaction*

##### **Market position prior to the possible combination with Prosafe Production**

Following completion of the APL Transaction, BW Offshore will become a pure-play leading FPSO provider, with access to technology and turret systems for future conversion projects through the Supply Agreement with National Oilwell Varco. The Company owns a fleet of six FPSOs and one FSO, in addition to having three ongoing conversion projects, as well as the conversion candidate BW Ara, which is earmarked for future FPSO projects. In terms of number of FPSOs operated, the Company is currently the fourth largest FPSO provider on a global basis,<sup>3</sup> and had as of 30 June 2010, 943 employees in 15 offices around the world related to the FPSO division.

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 is expected to commence 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. 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. For further information, see Section 11 ("Presentation of BW Offshore") and Section 12 ("Business Areas and Markets") of the Offer Document (incorporated by reference hereto).

##### **Market position following the possible combination with Prosafe Production**

Assuming that BW Offshore assumes control of Prosafe Production through the Offer, and following the APL Transaction, the combined group will be the second largest FPSO provider (measured by number of existing FPSOs),<sup>3</sup> with access to technology and turret systems for future conversion projects through the Supply Agreement with National Oilwell Varco. The combined group will own a fleet of 14 FPSOs and three FSOs, in addition to having three ongoing conversion projects and two conversion candidates earmarked for future FPSO projects.

BW Offshore believes that a combination with Prosafe Production will create a company with the focus, diversification, presence, financial scale and competence to play an even more significant role in the FPSO business than BW Offshore and Prosafe Production can do on their own.

For further information, see Section 11 ("Presentation of BW Offshore"), Section 12 ("Business Areas and Markets") and Section 16 ("Presentation of Prosafe Production") of the Offer Document (incorporated by reference hereto).

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<sup>3</sup> Source: Carnegie Research.

### 5.1.6 Legal structure of the BW Offshore Group following the APL Transaction

Following completion of the APL Transaction, the BW Offshore Group will comprise of the following subsidiaries and associated companies:

Name of subsidiary	Country of incorporation	Percentage of shares owned by BW Offshore
APL Angola SA <sup>4</sup> .....	Angola	49%
Advanced Production and Loading (M) Sdn Bhd <sup>4</sup> .....	Malaysia	49%
APL Property AS <sup>4</sup> .....	Norway	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 Cyprus Limited.....	Cyprus	100%
BW Offshore do Brazil Ltda .....	Brazil	100%
BW Offshore Global Manning Private Limited <sup>4</sup> .....	Singapore	100%
BW Offshore (Malaysia) Sdn. Bhd. (under liquidation) <sup>4</sup> ...	Malaysia	100%
BW Offshore (KL) Sdn. Bhd. (under liquidation) .....	Malaysia	100%
BW Offshore Netherlands B.V. ....	Netherlands	100%
BW Offshore Nigeria Limited .....	Nigeria	99%
BW Offshore Norwegian Manning AS .....	Norway	100%
BW Offshore China Ltd <sup>4</sup> .....	China	100%
BW Offshore Poland I sp z oo .....	Poland	100%
BW Offshore Poland II sp z oo .....	Poland	100%
BW Offshore TSB Invest Private Limited <sup>4</sup> .....	Singapore	100%
BW Offshore (UK) Limited.....	United Kingdom	100%
BW Offshore USA, Inc .....	USA	100%
BW Pioneer Limited .....	Bermuda	100%
Sendje Berge Limited.....	Bermuda	100%
Nexus Floating Production Limited <sup>4,5</sup> .....	Singapore	49.7% <sup>6</sup>

In addition, the BW Offshore Group owns 50% of OOO "Oil Terminal Belokamenka", a joint venture company in Russia. Assuming that BW Offshore combines with Prosafe Production through the Offer, the BW Offshore Group will also comprise of the Prosafe Production Group, as further described in Section 16.2 ("Legal Structure of the Prosafe Production Group") of the Offer Document (incorporated by reference hereto). The Company has not decided which company of the Group who will be the direct shareholder of the Prosafe Production Group.

### 5.1.7 The APL Transaction's significance for the earnings, assets and liabilities of the BW Offshore Group

#### Based on completion of the APL Transaction

As a consequence of the APL Transaction, operating profit before depreciation / amortization (EBITDA) of the BW Offshore Group for the year ended 31 December 2009 would have decreased by 30.2%, from USD 88.6 million to USD 61.8 million, on a pro forma basis. Net profit for the year ended 31 December 2009 would have

<sup>4</sup> A company currently within the APL Group. However, the company is not comprised by the APL Transaction and will be transferred to a Group company outside the APL Group, prior to completion of the APL Transaction.

<sup>5</sup> Oslo Børs has granted BW Offshore an exemption from the mandatory bid obligation for the transfer of the shares in Nexus Floating Production Ltd. owned by APL, to BW Offshore Cyprus Ltd.

<sup>6</sup> Associated company.

increased by 48.9% from a loss of USD 8.8 million to a loss of USD 4.5 million, on a pro forma basis. Operating profit before depreciation / amortization (EBITDA) for the six months ended 30 June 2010 would have decreased by 8.5%, from USD 55.2 million to USD 50.5 million, on a pro forma basis. Net loss for the six months ended 30 June 2010 would have decreased from a loss of USD 27.6 million to a loss of USD 21.8 million, on a pro forma basis.

As of 30 June 2010, total assets would have decreased by 20.3%, from USD 2,402.6 million to USD 1,914.7 million, on a pro forma basis. Total interest-bearing debt would have decreased by 52.1%, from USD 996.9 million to USD 477.5 million, on a pro forma basis. Total equity would have increased by 17.2%, from USD 891.3 million to USD 1,044.2 million, on a pro forma basis. The equity ratio would have increased from 37.1% to 54.5%, on a pro forma basis.

The sales gain, transaction costs and other effects directly related to the APL Transaction are not included in the figures presented in this Section 5.1.7 ("The APL Transaction's significance for the earnings, assets and liabilities of the BW Offshore Group").

For further information, see Section 5.3 ("Pro Forma Financial Information") below.

### **Based on completion of the APL Transaction and the Offer**

As a consequence of the Offer, operating profit before depreciation / amortization (EBITDA) of the BW Offshore Group on a pro forma basis (excluding APL) for the year ended 31 December 2009 would have increased by 309.1%, from USD 61.8 million to USD 252.8 million. Net loss on a pro forma basis (excluding APL) for the year ended 31 December 2009 would have increased by 315.5%, from USD 4.5 million to USD 18.7 million. Operating profit before depreciation / amortization (EBITDA) on a pro forma basis (excluding APL) for the six months ended 30 June 2010 would have increased by 227.9%, from USD 50.5 million to USD 165.6 million. Net loss on a pro forma basis (excluding APL) for the six months ended 30 June 2010 would have decreased by 45.4% from USD 21.8 million to USD 11.9 million.

As of 30 June 2010, total assets on a pro forma basis (excluding APL) would have increased by 89.0%, from USD 1,914.7 million to USD 3,618.0 million. Total interest-bearing debt on a pro forma basis (excluding APL) would have increased by 239.9%, from USD 477.5 million to USD 1,623.1 million. Total equity on a pro forma basis (excluding APL) would have increased by 31.8%, from USD 1,044.2 million to USD 1,376.7 million. The equity ratio on a pro forma basis (excluding APL) would have decreased from 54.5% to 38.1%, on a pro forma basis.

The sales gain, transaction costs and other effects directly related to the APL Transaction are not included in the figures presented in this Section 5.1.7 ("The APL Transaction's significance for the earnings, assets and liabilities of the BW Offshore Group").

For further information, see Section 5.3 ("Pro Forma Financial Information") below.

## **5.2 Brief description of APL**

APL (Advanced Production & Loading) Plc is a public limited liability company incorporated under the Cyprus Company Law with company registration number HE189062. APL was acquired by BW Offshore in 2007 and is the ultimate parent company of the Group's current APL division. The current APL Group comprises of the following subsidiaries and associated companies:

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Percentage of shares owned by BW Offshore</b>
APL (Advanced Production & Loading) Plc.....	Cyprus	100%
BW Offshore Norway AS.....	Norway	100%
APL Property AS <sup>7</sup> .....	Norway	100%
APL do Brasil Ltda.....	Brasil	100%
APL UK Ltd.....	United Kingdom	100%

<sup>7</sup> A company currently within the APL Group. However, the company is not comprised by the APL Transaction and will be transferred to a Group company outside the APL Group, prior to completion of the APL Transaction.

<b>Name of subsidiary</b>	<b>Country of incorporation</b>	<b>Percentage of shares owned by BW Offshore</b>
BW Offshore (Malaysia) Sdn. Bhd. (under liquidation) <sup>8</sup> ...	Malaysia	49%
Advanced Production & Loading Inc.....	USA	100%
Advanced Production & Loading Pte Ltd .....	Singapore	100%
APL Angola SA <sup>8</sup> .....	Angola	49%
Advanced Production & Loading (M) Sdn. Bhd. (under liquidation) <sup>8</sup> .....	Malaysia	100%
BW Offshore Singapore Pte Ltd.....	Singapore	100%
APL Technology AS.....	Norway	100%
BW Offshore France SAS .....	France	100%
BW Offshore China Ltd <sup>8</sup> .....	China	100%
BW Offshore Global Manning Private Limited <sup>8</sup> .....	Singapore	100%
BW Offshore (KL) Sdn. Bhd. (under liquidation) <sup>8</sup> .....	Malaysia	100%
BW Offshore TSB Invest Private Limited <sup>8</sup> .....	Singapore	100%
Nexus Floating Production Limited <sup>8,9</sup> .....	Singapore	49.7% <sup>10</sup>

The APL division has gained a reputation as a leading provider of systems for offshore production and transfer of oil and gas.<sup>11</sup> APL has since its start experienced a substantial growth worldwide, and to date the APL division has delivered more than 50 production and terminal systems and close to 120 shipboard and vessel systems.

The APL division 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 the APL division are used in offshore production, storage and 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.

The current members of APL's board of directors are:

- **Carl K. Arnet, Chairman**, born 1956, holds the position as Chief Executive Officer of BW Offshore. For a further description, see Section 13.2 ("Management") of the Offer Document (incorporated by reference hereto);
- **Knut Borgen, member**, born 1948, holds the position as General Manager of BW Offshore Cyprus Ltd. Prior to joining BW Offshore in 2010; Mr. Borgen held various positions in the international oil and gas industry, including Aker, Coflexip and Technip. Mr. Borgen joined the Board of APL in January 2010. Mr. Borgen holds a Master of Business Administration from the Norwegian School of Business and Administration (BI), Norway; and
- **Panos Labropoulos, member**, born 1972, is a lawyer specialising in commercial and corporate law. Mr. Labropoulos holds degrees of law from the University of Athens (LLB 1995), Greece, the University of Edinburgh (LLM 1996), United Kingdom, and the University College London (LLM 1997), United Kingdom. Mr. Labropoulos is qualified as lawyer in Greece, England & Wales (not practising) and Cyprus. Mr. Labropoulos joined the board of APL in April 2008.

The current members of APL's management are:

- **Erik Svendsen, Executive Vice President**, born 1971. For a further description, see Section 13.2 ("Management") of the Offer Document (incorporated by reference hereto);
- **Høye Gerhard Høyese, Senior Vice President Projects**, born 1965. Mr. Høyese has been employed with the company since 1996. Prior to joining APL, Mr. Høyese held positions in Umland

<sup>8</sup> A company currently within the APL Group. However, the company is not comprised by the APL Transaction and will be transferred to a Group company outside the APL Group, prior to completion of the APL Transaction.

<sup>9</sup> Oslo Børs has granted BW Offshore an exemption from the mandatory bid obligation for the transfer of the shares in Nexus Floating Production Ltd. owned by APL, to BW Offshore Cyprus Ltd.

<sup>10</sup> Associated company.

<sup>11</sup> 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).



Offshore AS / DSND AS, Kaldnes de Groot AS and Royal Norwegian Airforce. Mr. Høyesen holds a Bachelor of Science in Mechanical engineering from the Scandinavian Academy of Aeronautics, Sweden;

- **Arvid I. Stiansen Volden, Manager HSE & QA APL**, born 1959. Mr. Stiansen Volden is responsible for the Quality Management System, Certification, Safety and Security. Mr Volden joined APL in 2008. Mr. Stiansen Volden previously held various positions in Teekay Marine Services AS, Teekay Marine Services Ltd, IUM Shipmanagement and Det Norske Veritas. Mr. Stiansen Volden holds a Master in Nautical Science from Norwegian University of Science and Technology (NTNU), Norway;
- **Nordine Benbernou, Senior Vice President Business Development**, born 1957. Mr. Benbernou joined APL in 1997. Prior to this, Mr. Benbernou held various positions in Coflexip Stena Offshore Inc., Coflexip & Services Asia and Coflexip S.A. Mr. Benbernou holds a Civil Mining Engineer degree from Ecole Des Mines De Nancy (ENSMN), France;
- **Arild Bech, Senior Vice President Engineering and Technology**, born 1958. Prior to joining APL in 1993, Mr. Bech held various positions in MCG AS and SINTEF Structural Engineering. Mr. Bech holds a Master of Science in Marine Structures from Norwegian University of Science and Technology (NTNU), Norway;
- **Bjørn Morten Mikalsen, Manager, After Sales and Service**, born 1958. Mr. Mikalsen joined APL in 1993. Mr. Mikalsen previously held various positions in Golar-Nor Offshore AS, Golar-Nor Production AS and the Royal Norwegian Navy. Mr. Mikalsen holds a Master of Science in Marine Engineer from Norwegian University of Science and Technology (NTNU), Norway;
- **Jens P. Kaalstad, President of Advanced Production and Loading Inc.**, an American subsidiary in the BW Offshore Group, born 1959. Mr. Kaalstad joined APL in 1997 after holding various positions in Aker Marine Contracts Inc., Aker Marine Contractors AS, AS Norske Shell and Kvaerner Ship Equipment. Mr. Kaalstad holds a Master of Science in Naval Architecture from Norwegian University of Science and Technology (NTNU), Norway; and
- **Bjørn Reang, Senior Vice President Corporate Controlling**, born 1957. Mr. Reang has been an employee of APL since 2004. Prior to joining APL, Mr. Reang held various positions with Andersson & Co AS, DSND Offshore AS / DSND Subsea AS, Uglund Offshore AS, Mobil Oil AS Norge and AS Fjeldhammer Brug, Icopal Group of Companies. Mr. Reang holds a Master of Business Administration from the Norwegian School of Management (BI), Norway.

As of 30 June 2010, the APL Group had approximately 230 employees.

The following table sets out unaudited selected segment financial information for the APL division as of, and for the periods ended, 31 December 2009 and 2008, and as of, and for the six months period ended, 30 June 2010 and 2009.

	As of and for the six months ended 30 June		As of and for the year ended 31 December	
	2010 (Unaudited)	2009 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
<b>USD million</b>				
Operating revenue.....	65.6	152.9	251.9	395.9
Operating expenses.....	(60.5)	(131.6)	(220.4)	(354.6)
Share of profit of associates.....	0.0	(39.5)	(39.5)	(0.4)
Impairment charge of associates .....	0.0	0.0	0.0	(81.3)
<b>Operating profit / (loss) before depreciation.....</b>	<b>5.1</b>	<b>(18.2)</b>	<b>(8.0)</b>	<b>(40.4)</b>
Depreciation, amortization and write-down.....	(6.9)	(9.9)	(20.3)	(189.1)
<b>Operating profit / (loss) .....</b>	<b>(1.8)</b>	<b>(28.1)</b>	<b>(28.3)</b>	<b>(229.5)</b>
Segment assets.....	483.6	527.7	492.5	605.7

The unaudited selected financial segment information for the APL division as included above, is based on the Company's reportable APL segment and not included any intersegment eliminations. Investors should note that the APL selected financial segment information not necessarily fully reflects the business covered by the APL Transaction. For a further description of the effects of the APL Transaction on BW Offshore's earnings, liabilities and assets, see Section 5.1.7 ("The APL Transaction's significance for the earnings, assets and liabilities of the BW Offshore Group") above and Section 5.3 ("Pro Forma Financial Information") below.

The unaudited selected segment financial information as of and for the period ended 31 December 2009 and 2008, and the unaudited selected segment financial information as of and for the six months period ended

30 June 2010 and 2009 have been derived from the Company's interim consolidated financial information for the second quarter and first half-year 2010 and the Company's audited consolidated financial statements for the year ended 2009, respectively, which have both been prepared in conformity with IFRS. The unaudited selected segment financial information is in line with the Company's internal management and report structure and has been prepared by the Company's management. The selected segment financial information is not audited.

For a further description of APL and its business, see Section 11 ("Presentation of BW Offshore") and in particular Section 11.7 ("APL Division") of the Offer Document (incorporated by reference hereto).

## **5.3 Pro Forma Financial Information**

### *5.3.1 Basis for presentation*

The consolidated pro forma financial information presented below in Section 5.3.3 ("Unaudited pro forma condensed consolidated financial information based on completion of the APL Transaction") shows BW Offshore as if the APL Transaction 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 six months ended 30 June 2010, respectively, and as if the APL Transaction had been carried out on 30 June 2010 for the purposes of the pro forma condensed and consolidated statement of financial position as of 30 June 2010.

Further, the consolidated pro forma financial information presented below in Section 5.3.4 ("Unaudited pro forma condensed consolidated financial information of the combined entity of BW Offshore and Prosafe Production based on completion of the APL Transaction and the Offer") shows BW Offshore (pro forma following the APL Transaction) 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 six months ended 30 June 2010, respectively, and as if the Combination had been carried out on 30 June 2010 for the purposes of the pro forma condensed and consolidated statement of financial position as of 30 June 2010.

The pro forma condensed and consolidated income statements and the pro forma consolidated statements of financial position below in Section 5.3.3 ("Unaudited pro forma condensed consolidated financial information based on completion of the APL Transaction") and Section 5.3.4 ("Unaudited pro forma condensed consolidated financial information of the combined entity of BW Offshore and Prosafe Production based on completion of the APL Transaction and the Offer") are prepared using the audited consolidated financial statements for 2009 and the unaudited consolidated financial information for the first half-year 2010 for BW Offshore, and by using the audited consolidated financial statements for 2009 and the unaudited consolidated interim financial information for the second quarter and first half-year 2010 for BW Offshore and the audited consolidated financial statements for 2009 and the unaudited consolidated interim financial information for the second quarter and first half-year 2010 of Prosafe Production, respectively, which are prepared in accordance with IFRS as adopted by the European Union and incorporated by reference to the Offer Document (incorporated by reference hereto) and incorporated by reference to this Supplemental Document, cf. Section 18.3 ("Incorporation by Reference") below. BW Offshore's accounting principles have been applied into the extent possible, cf. Section 6.3 ("Uniform Accounting Principles") and Section 6.4 ("Preliminary Purchase Price Allocation") of the Offer Document (incorporated by reference hereto).

All figures in this Section 5.3 ("Pro Forma Financial Information") 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 had divested APL and/or 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 30 June 2010, respectively. Any one-off effects, such as sales gains, transaction costs etc, directly related to the APL Transaction and/or the Offer are only adjusted for in the consolidated pro forma statement of financial positions as of 30 June 2010.

The pro forma adjustments which currently are included in the pro forma condensed consolidated income statements included in Section 5.3.3.1 ("Unaudited pro forma condensed consolidated income statements and statement of financial position") and 5.3.4.1 ("Unaudited pro forma condensed consolidated income statement

and statement of financial position”), are only adjustments that relate to effects that are expected to be continuing.

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 30 June 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 divestment of APL and/or the 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 4 to this Supplemental Document.

It should be noted that the pro forma financial information has been 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. investor should not place reliance on the pro forma financial information included in this Supplemental Document.

The assumptions underlying the pro forma adjustments applied to the historical financial statements included elsewhere in this Supplemental 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 information have been audited in accordance with Norwegian or United States generally accepted auditing standards, and the pro forma financial information 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, investors should carefully consider the audited historical financial statements and the notes thereto and the notes to the unaudited pro forma financial information.

### *5.3.2 Limitations*

The unaudited pro forma financial information is provided for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore does not represent the Company’s actual financial position or results. 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”) of the Offer Document (incorporated by reference) might have significant impact on the pro forma financial information presented in this Section 5.3 (“Pro Forma Financial Information”).

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

### *5.3.3 Unaudited pro forma condensed consolidated financial information based on completion of the APL Transaction*

This Section 5.3.3 (“Unaudited pro forma condensed consolidated financial information based on completion of the APL Transaction”) contains the pro forma condensed and consolidated financial information of BW Offshore based on the completion of the APL Transaction.

It should be noted that any sales gains and transaction costs are not included in the pro forma income statements for the year ended 31 December 2009 and for the six months ended 30 June 2010 as these are one-off transactions directly relating to the sale of APL. However, such effects have been included in the pro forma statement of financial position as of 30 June 2010.

Further, it should also be noted that the historical figures of the APL segment presented in Section 5.3.3.1 (“Unaudited pro forma condensed consolidated income statements and statement of financial position”) also include the figures of APL Property AS. National Oilwell Varco Norway AS has been granted a one-year option to

acquire all the shares in APL Property AS for no additional consideration. The pro forma financial information has been made under the assumption that this option will be exercised.

### 5.3.3.1 Unaudited pro forma condensed consolidated income statements and statement of financial position

The following table sets out the unaudited pro forma condensed consolidated income statement for the year ended 31 December 2009.

USD million	Historical actual figures of BW Offshore (incl APL)	Less historical actual figures – APL segment	Pro forma adjustments	Notes	Pro forma figures of BW Offshore (excl APL)
<b>Revenues .....</b>	<b>408.8</b>	<b>251.9</b>	<b>63.0</b>	4	<b>219.9</b>
Operating expenses .....	(274.6)	(220.4)	(58.3)	4	(112.5)
Share of loss of associates .....	(45.6)			1	(45.6)
<b>Operating profit before depreciation/amortization .....</b>	<b>88.6</b>	<b>31.5</b>	<b>4.7</b>		<b>61.8</b>
Depreciation/amortization .....	(63.9)	(20.3)			(43.6)
Gain/ (loss) of sale of assets .....	(1.5)	0.0			(1.5)
<b>Operating profit .....</b>	<b>23.2</b>	<b>11.2</b>	<b>4.7</b>		<b>16.7</b>
Interest income .....	9.9	3.3			6.6
Interest expenses .....	(24.8)	(2.1)	10.0	2	(12.7)
Other financial items .....	(5.7)	1.7			(7.4)
<b>Net financial items .....</b>	<b>(20.6)</b>	<b>2.9</b>	<b>10.0</b>		<b>(13.5)</b>
<b>Profit / (loss) before taxes .....</b>	<b>2.6</b>	<b>14.1</b>	<b>14.7</b>		<b>3.2</b>
Taxes .....	(11.4)	3.7			(7.7)
<b>Net profit/ (loss) .....</b>	<b>(8.8)</b>	<b>10.4</b>	<b>14.7</b>		<b>(4.5)</b>

The following table sets out the unaudited pro forma condensed consolidated income statement for the six months ended 30 June 2010.

USD million	Historical actual figures of BW Offshore (incl APL)	Less historical actual figures – APL segment	Pro forma adjustments	Notes	Pro forma figures of BW Offshore (excl APL)
<b>Revenues .....</b>	<b>212.1</b>	<b>65.6</b>	<b>8.0</b>	4	<b>154.5</b>
Operating expenses .....	(158.5)	(60.5)	(7.6)	4	(105.6)
Share of loss of associates .....	1.6	0.0		1	1.6
<b>Operating profit before depreciation/amortization .....</b>	<b>55.2</b>	<b>5.1</b>	<b>0.4</b>		<b>50.5</b>
Depreciation/amortization .....	(34.6)	(6.9)			(27.7)
Gain/ (loss) of sale of assets .....	0.0	0.0			0.0
<b>Operating profit .....</b>	<b>20.6</b>	<b>(1.8)</b>	<b>0.4</b>		<b>22.8</b>
Interest income .....	3.0	0.1			2.9

<b>USD million</b>	<b>Historical actual figures of BW Offshore (incl APL)</b>	<b>Less historical actual figures – APL segment</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma figures of BW Offshore (excl APL)</b>
Interest expenses.....	(11.4)	(0.6)	5.0	2	(5.8)
Other financial items.....	(32.9)	2.0			(34.9)
<b>Net financial items .....</b>	<b>(41.3)</b>	<b>1.5</b>	<b>5.0</b>		<b>(37.8)</b>
<b>Profit / (loss) before taxes .....</b>	<b>(20.7)</b>	<b>(0.3)</b>	<b>5.4</b>		<b>(15.0)</b>
Taxes .....	(6.9)	(0.1)			(6.8)
<b>Net profit/ (loss) .....</b>	<b>(27.6)</b>	<b>(0.4)</b>	<b>5.4</b>		<b>(21.8)</b>

The following table sets out the unaudited pro forma condensed consolidated statement of financial position as of 30 June 2010.

<b>USD million</b>	<b>Historical actual figures of BW Offshore (incl APL)</b>	<b>Less historical actual figures – APL segment</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma figures of BW Offshore (excl APL)</b>
Intangibles .....	338.4	331.9	5.6	1	12.1
FPSOs and FSOs.....	1,246.9		(13.9)	4	1,233.0
Other fixed assets .....	20.2	15.4	3.7	1	8.5
Finance lease receivables .....	208.0				208.0
Investment in associate .....	181.9			1	181.9
Other non-current assets.....	131.5	1.3			130.2
<b>Total non-current assets .....</b>	<b>2,126.9</b>	<b>348.6</b>	<b>(4.6)</b>		<b>1,737.7</b>
Other current assets .....	194.4	113.8	0.3	1	80.9
Cash and cash deposits .....	81.3	21.2			60.1
<b>Total current assets .....</b>	<b>275.7</b>	<b>135.0</b>	<b>0.3</b>		<b>141.0</b>
<b>Total assets.....</b>	<b>2,402.6</b>	<b>483.6</b>	<b>(4.3)</b>		<b>1,914.7</b>
Share capital .....	4.6				4.6
Other equity .....	886.7	324.9	477.8	3	1,039.6
<b>Total equity.....</b>	<b>891.3</b>	<b>324.9</b>	<b>472.4</b>		<b>1,044.2</b>
Interest-bearing long-term debt .....	996.6	23.1	(496.0)	2,3	477.5
Other long-term provisions .....	156.8	34.9			121.9
<b>Total long-term liabilities.....</b>	<b>1,153.4</b>	<b>58.0</b>	<b>(496.0)</b>		<b>599.4</b>
Interest-bearing current debt.....	0.3	0.3			0.0
Other interest-free current liabilities.....	357.6	100.4	13.9	1,4	271.1
<b>Total current liabilities.....</b>	<b>357.9</b>	<b>100.7</b>	<b>13.9</b>		<b>271.1</b>
<b>Total equity and liabilities.....</b>	<b>2,402.6</b>	<b>483.6</b>	<b>(4.3)</b>		<b>1,914.7</b>

### 5.3.3.2 Notes to the pro forma financial information

#### **Note 1 – Assets and liabilities not included as part of the APL Transaction**

APL currently owns shares in several subsidiaries and 49.74% of the shares in Nexus Floating Production Limited that will not be included in the APL Transaction. This transaction has a net effect on “Other current assets” by USD 0.3 million and a net effect on “Other interest-free current liabilities” by USD 0.1 million.

The shares owned by APL in these companies will be transferred to other BW Offshore companies before completion of the APL Transaction. The transfer of these shares will be done at their estimated fair values. Oslo Børs has granted BW Offshore an exemption from the mandatory bid obligation for the transfer of the shares in Nexus Floating Production Ltd. owned by APL, to BW Offshore Cyprus Ltd.

Further, certain other intangible assets like software, as well as other fixed assets as computers, furniture and fixtures, company cars etc, held by a company in the APL Group, are not included in the APL Transaction and will be transferred to other BW Offshore companies before completion of the APL Transaction. Book value of intangibles and other fixed assets as mentioned above was USD 5.6 million and USD 3.7 million as of 30 June 2010, respectively. Depreciation and amortisation charges related to these assets are considered not material.

#### **Note 2 – Interest bearing debt and interest expenses**

The outstanding bonds under the APL NOK 500 million bond loan will be bought or redeemed by BW Offshore as part of the APL Transaction. The total transaction costs of BW Offshore related to this transaction is estimated to USD 0.9 million.

The APL Transaction will be settled in cash, which in turn will be used for repayment of interest-bearing debt. The repayment of debt by USD 500 million less transaction costs and cost related to the bonds is estimated to reduce annual interest expenses by approximately USD 10 million.

#### **Note 3 – One-off effects related to the APL Transaction**

The sale of APL is estimated to give rise to a preliminary sales gain of USD 152.9 million net of estimated expenses arising from the APL Transaction of USD 2 million. The sales gain and the transaction cost is reflected in the pro forma balance sheet as of 30 June 2010, but not reflected in the pro forma income statements for the year ended 31 December 2009 and for the six months ended 30 June 2010 as these are one-off effects directly only relating to the APL Transaction. These effects have been estimated assuming that both the APL Transaction and the Offer are completed.

#### **Note 4 – Intercompany eliminations**

Sales between the APL segment and the FPSO segment are carried out at arm's length. For the year ended 2009, a total of USD 63.0 million was eliminated from operating revenue while USD 58.3 million was eliminated from operating expenses. For the six months period ended 30 June 2010, a total of USD 8.0 million was eliminated from operating revenue while USD 7.6 million was eliminated from operating expenses.

The elimination of intercompany balances of USD 13.8 million has been included as an adjustment of "Other interest-free current liabilities". Further, ongoing APL-projects amounting to USD 13.9 million for the FPSO division has been removed from "FPSOs and FSOs".

#### *5.3.4 Unaudited pro forma condensed consolidated financial information of the combined entity of BW Offshore and Prosafe Production based on completion of the APL Transaction and the Offer*

This Section 5.3.4 ("Unaudited pro forma condensed consolidated financial information of the combined entity of BW Offshore and Prosafe Production based on completion of the APL Transaction and the Offer") contains the pro forma condensed and consolidated financial information of BW Offshore based on the completion of both the APL Transaction (as described above) and the Offer.

##### **5.3.4.1 Unaudited pro forma condensed consolidated income statement and statement of financial position**

The following table sets out the unaudited pro forma condensed consolidated income statement for the year ended 31 December 2009.

<b>USD million</b>	<b>Pro forma BW Offshore (excl APL)</b>	<b>Prosafe Production</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma BW Offshore (excl APL, incl Prosafe Production)</b>
<b>Operating revenues.....</b>	<b>219.9</b>	<b>315.0</b>			<b>534.9</b>
Operating expenses.....	(112.5)	(130.1)			(242.6)
Share of profit / (loss) of associates.	(45.6)		6.1	5	39.5

<b>USD million</b>	<b>Pro forma BW Offshore (excl APL)</b>	<b>Prosafe Production</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma BW Offshore (excl APL, incl Prosafe Production)</b>
<b>Operating profit before depreciation (EBITDA).....</b>	<b>61.8</b>	<b>184.9</b>	<b>6.1</b>		<b>252.8</b>
Depreciation and amortization.....	(43.6)	(83.7)			(127.3)
Impairment.....	0.0	(46.7)			(46.7)
Loss on sale of vessel.....	(1.5)	0.0			(1.5)
<b>Operating profit .....</b>	<b>16.7</b>	<b>54.5</b>	<b>6.1</b>		<b>77.3</b>
Interest income .....	6.6	0.7			7.3
Interest expense.....	(12.7)	(44.9)	(10.0)	1	(67.6)
Other financial items.....	(7.4)	(0.7)			(8.1)
<b>Net financial items.....</b>	<b>(13.5)</b>	<b>(44.9)</b>	<b>(10.0)</b>		<b>(68.4)</b>
<b>Profit before tax.....</b>	<b>3.2</b>	<b>9.6</b>	<b>(3.9)</b>		<b>8.9</b>
Taxes .....	(7.7)	(19.9)			(27.6)
<b>Net profit / (loss) .....</b>	<b>(4.5)</b>	<b>(10.3)</b>	<b>(3.9)</b>		<b>(18.7)</b>

The following table sets out the unaudited pro forma condensed consolidated income statement for the six months ended 30 June 2010.

<b>USD million</b>	<b>Pro forma BW Offshore (excl APL)</b>	<b>Prosafe Production</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma BW Offshore (excl APL, incl Prosafe Production)</b>
<b>Operating revenues.....</b>	<b>154.5</b>	<b>211.8</b>			<b>366.3</b>
<b>Operating expenses .....</b>	<b>(105.6)</b>	<b>(95.1)</b>			<b>(200.7)</b>
Share of profit of associates.....	1.6		(1.6)	5	0.0
<b>Operating profit before depreciation (EBITDA).....</b>	<b>50.5</b>	<b>116.7</b>	<b>(1.6)</b>		<b>165.6</b>
Depreciation and amortization.....	(27.7)	(68.6)			(96.3)
<b>Operating profit .....</b>	<b>22.8</b>	<b>48.1</b>	<b>(1.6)</b>		<b>69.3</b>
Interest income .....	2.9	0.1			3.0
Interest expense.....	(5.8)	(22.9)	(5.0)	1	(33.7)
Other financial items.....	(34.9)	(1.3)			(36.2)
<b>Net financial items.....</b>	<b>(37.8)</b>	<b>(24.1)</b>	<b>(5.0)</b>		<b>(66.9)</b>
<b>Profit / (loss) before tax.....</b>	<b>(15.0)</b>	<b>24.0</b>	<b>(6.6)</b>		<b>2.4</b>
Taxes .....	(6.8)	(7.5)			(14.3)
<b>Net profit / (loss) .....</b>	<b>(21.8)</b>	<b>16.5</b>	<b>(6.6)</b>		<b>(11.9)</b>

The following table sets out the unaudited pro forma condensed consolidated statement of financial position as of 30 June 2010.

<b>USD million</b>	<b>Pro forma BW Offshore (excl APL)</b>	<b>Prosaf Production</b>	<b>Pro forma adjustments</b>	<b>Notes</b>	<b>Pro forma BW Offshore (excl APL, incl Prosaf Production)</b>
Intangibles .....	12.1	65.5	(65.5)	3,4	12.1
FPSOS and FSOs .....	1,233.0	1,700.1			2,933.1
Other fixed assets .....	8.5				8.5
Finance lease receivables .....	208.0				208.0
Investments in associates.....	181.9		(181.9)	1,2,4	0.0
Other non-current assets.....	130.2	7.2			137.4
<b>Total non-current assets .....</b>	<b>1,773.7</b>	<b>1,772.8</b>	<b>(247.4)</b>		<b>3,099.1</b>
Other current assets .....	80.9	96.0			176.9
Assets held for sale .....		62.8	(62.8)	3	0.0
Cash and cash deposits .....	60.1	101.9	(20.0)	4	142.0
<b>Total current assets .....</b>	<b>141.0</b>	<b>260.7</b>	<b>(82.8)</b>		<b>318.9</b>
<b>Total assets.....</b>	<b>1,914.7</b>	<b>2,033.5</b>	<b>(330.2)</b>		<b>3,618.0</b>
Share capital .....	4.6	25.5	(23.5)	1,4	6.6
Other equity .....	1,039.6	782.5	(452.0)	1,2,4	1,370.1
<b>Total equity.....</b>	<b>1,044.2</b>	<b>808.0</b>	<b>(475.5)</b>		<b>1,376.7</b>
Interest bearing long term debt.....	477.5	930.8	145.3	1	1,553.6
Other long term provisions .....	121.9	59.6			181.5
<b>Total non-current liabilities.....</b>	<b>599.4</b>	<b>990.4</b>	<b>145.3</b>		<b>1,735.1</b>
Interest bearing current debt .....	0.0	69.5			69.5
Other interest free current liabilities .	271.1	165.6			436.7
<b>Total current liabilities.....</b>	<b>271.1</b>	<b>235.1</b>	<b>0.0</b>		<b>506.2</b>
<b>Total equity and liabilities.....</b>	<b>1,914.7</b>	<b>2,033.5</b>	<b>(330.2)</b>		<b>3,618.0</b>

#### 5.3.4.2 Notes to the pro forma financial information

The following explanatory notes relate to the pro forma adjustments included in Section 5.3.4.1 ("Unaudited pro forma condensed consolidated income statement and statement of financial position"):

##### **Note 1 – Share issue and debt financing**

BW Offshore expects to finance the acquisition of Prosaf Production with a total consideration of USD 479.5 million, by issuing Consideration Shares at a value of USD 334.2 million and by debt financing of USD 145.3 million. The table below presents the calculation of these amounts:

<b>USD million</b>	
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 Prosaf Production.....	1.2
Number of shares in BW Offshore to be issued.....	202.50
Value per share (NOK 10.15/USD 1.65) in BW Offshore on 13 September 2010 .....	1.65
<b>Value of share consideration.....</b>	<b>334.2</b>
Cash consideration (NOK 3.00 per share).....	63.0
Cash consideration – squeeze out .....	82.3
<b>Total cash consideration .....</b>	<b>145.3</b>

The issue of the Consideration Shares will increase the share capital and share premium of the Company by USD 2.0 million and USD 332.2 million, respectively.



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.

#### **Note 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 3.00 in cash). The total fair value of these shares at the values set out in this Offer amounts to USD 150.4 million, resulting in a negative fair value adjustment of USD 31.5 million at 30 June 2010. The effect of the fair value adjustment of Prosafe Production shares is a one-off adjustment directly 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.

#### **Note 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 3.00 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.

#### **Note 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") in the Offer document (incorporated by reference hereto), is included in the consolidated statements of financial position. Negative goodwill of USD 49.8 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.

#### **Note 5 – Elimination of share of profit/ (loss) of 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 1.6 million included in the income statement of BW Offshore in first half-year 2010, has been eliminated in the consolidated income statements.

### **5.4 Auditor's Independent Assurance Report**

PricewaterhouseCoopers AS' independent assurance report on the pro forma financial information included in Section 5.3 ("Pro Forma Financial Information") above is attached as Appendix 4 to this Supplemental Document.

## 6 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 Supplemental 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 13 September 2010:<sup>12</sup>

<b>Country / Area</b>	<b>Currency</b>	<b>Spot Rate</b>
Norway.....	USD/NOK	6.1186
Euro area.....	EUR/USD	1.2833
Singapore.....	SGD/USD	0.7474

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<sup>12</sup> Source: [www.oanda.com](http://www.oanda.com)

## 7 BW OFFSHORE SELECTED CONSOLIDATED FINANCIAL INFORMATION

For a presentation of the Company's (i) consolidated income statement information for the years ended 31 December 2009, 2008 and 2007, including the Company's audited financial statements for the years ended 2009, 2008 and 2007, (ii) selected condensed, combined and consolidated income statement information for the three months ended 31 March 2010 and 2009, including the Company's unaudited interim financial information for the first quarter 2010 and the first quarter 2009, (iii) segment information, (iv) the basis for presentation of the consolidated financial information and the Group's accounting policies, and (v) auditor, see Section 8 ("BW Offshore Selected Consolidated Financial Information") of the Offer Document (incorporated by reference hereto).

### 7.1 Interim Financial Information - First Half-year 2010

On 31 August 2010, the Company announced its unaudited consolidated interim financial information for the second quarter and first half-year ended 30 June 2010 (the "BW Offshore Second Quarter 2010 Report").

The BW Offshore Second Quarter 2010 Report is incorporated by reference into this Supplemental Document, cf. Section 18.3 ("Incorporation by reference") below and is available on [www.bwoffshore.com](http://www.bwoffshore.com). The information in the BW Offshore Second Quarter 2010 Report is relevant for the information included in Section 8 ("BW Offshore Selected Consolidated Financial Information") and Section 9 ("Operating and Financial Review") of the Offer Document.

The following tables show a summary of BW Offshore's consolidated income statement, statement of financial position, key figures and operating revenues per segment as of, and for the years ended, 31 December 2009, 2008 and 2007, and as of, and for the six months period ended, 30 June 2010 and 2009.

Income statement	Six months ended 30 June		Year ended 31 December		
	2010 (Unaudited)	2009 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
<b>USD million</b>					
<b>Total revenues</b> .....	<b>212.1</b>	<b>214.2</b>	<b>408.8</b>	<b>474.3</b>	<b>662.6</b>
<b>Total expenses</b> .....	<b>(158.5)</b>	<b>(155.9)</b>	<b>(274.6)</b>	<b>(433.8)</b>	<b>(557.7)</b>
<b>Operating profit (loss)</b> .....	<b>20.6</b>	<b>(3.9)</b>	<b>23.2</b>	<b>(429.5)</b>	<b>77.1</b>
Net financial items.....	(41.3)	(0.7)	(20.6)	(87.9)	(11.3)
Profit (loss) before tax .....	(20.7)	(4.6)	2.6	(517.4)	65.8
Income tax expense .....	(6.9)	(3.4)	(11.4)	(15.2)	(13.7)
<b>Net profit (loss)</b> .....	<b>(27.6)</b>	<b>(8.0)</b>	<b>(8.8)</b>	<b>(532.6)</b>	<b>52.1</b>

Statement of financial position	As of 30 June		As of 31 December		
	2010 (Unaudited)	2009 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
<b>USD million</b>					
Total non-current assets.....	2,126.9	2,019.0	2,134.8	1,962.7	2,721.6
Total current assets .....	275.7	305.4	258.7	338.7	288.0
<b>Total assets</b> .....	<b>2,402.6</b>	<b>2,324.4</b>	<b>2,393.5</b>	<b>2,301.4</b>	<b>3,009.6</b>
Total shareholder's equity.....	891.3	923.5	920.9	923.4	1,508.2
Total non-current liabilities .....	1,153.4	1,127.8	1,237.5	979.1	891.8
Total current liabilities.....	357.9	273.1	235.1	398.9	609.6
Total liabilities .....	1,511.3	1,400.9	1,472.6	1,378.0	1,501.4
<b>Total equity and liabilities</b> .....	<b>2,402.6</b>	<b>2,324.4</b>	<b>2,393.5</b>	<b>2,301.4</b>	<b>3,009.6</b>

Key figures	Six months ended 30 June			Year ended 31 December	
	2010	2009	2009	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EBITDA before transactions related to associates (USD million).....	53.6	58.3	134.2	40.5	104.9
EBITDA (USD million) .....	55.2	21.1	88.6	(44.2)	122.6
EBITDA margin (%).....	26.0	9.9	21.7	(9.3)	18.5
Basic and diluted earnings/(loss) per share (USD) .....	(0.06)	(0.02)	(0.02)	(1.17)	0.12
Interest cover ratio.....	0.55	(3.45)	1.1	(8.87)	2.42
Equity ratio (%).....	37.1	39.7	38.5	40.1	50.1

Operating revenues per business segment	Six months ended 30 June			Year ended 31 December	
	2010	2009	2009	2008	2007
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>USD million</b>					
Floating production .....	154.5	97.0	219.9	190.9	442.3
APL.....	65.6	152.9	251.9	395.9	220.3
Intersegment elimination.....	(8.0)	(35.7)	(63.0)	(112.5)	-
<b>Total .....</b>	<b>212.1</b>	<b>214.2</b>	<b>408.8</b>	<b>474.3</b>	<b>662.6</b>

Operating revenues per geographical segment	Six months ended 30 June			Year ended 31 December	
	2010	2009	2009	2008	2007
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
<b>USD million</b>					
America .....	68.9	58.0	110.2	93.7	337.9
Africa .....	71.9	117.3	109.4	123.1	137.8
Europe .....	25.7	17.9	155.3	147.7	40.9
Asia .....	1.3	21.0	33.9	106.6	108.0
Other <sup>13</sup> .....	44.3	0.0	-	3.2	38.0
<b>Total .....</b>	<b>212.1</b>	<b>214.2</b>	<b>408.8</b>	<b>474.3</b>	<b>662.6</b>

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 for the years ended 2009, 2008 and 2007, and the selected condensed, combined and consolidated interim financial information for the six months ended 30 June 2010 and 2009 have been derived from the BW Offshore Second Quarter 2010 Report.

## 7.2 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, N-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. The annual accounts are included in the Offer Document (incorporated by reference hereto). No other financial information in this Supplemental Document has been audited. The financial information of BW Offshore for the six months periods ended 30 June 2010 and 2009 are unaudited.

<sup>13</sup> The category "Other" reflects vessels under conversion not yet allocated to any segment.

## **8 OPERATING AND FINANCIAL REVIEW**

### **8.1 Information on Financial Condition and Operating Results**

For information purposes only, for a presentation of the Company's discussion of the financial condition and results of operations for the years ended 2009, 2008 and 2007 and for the three months period ended 31 March 2010 and 2009, see Section 9.1 ("Information on Financial Condition and Operating Results") in the Offer Document.

### **8.2 Significant Changes in the BW Offshore Group's Financial or Trading Position Since 30 June 2010**

Other than the APL Transaction and the contracts as described below, the BW Offshore Group has not experienced any significant changes to its financial or trading position after 30 June 2010 and to the date of this Supplemental Document.

- (i) On 14 July 2010, the Company signed a contract with OSX Leasing B.V. (OSX) to manage the conversion and development of the FPSO OSX-1 for the Waimea field. The total value under the contract is USD 150 million. Completion is expected mid 2011. The involvement with OSX also includes the delivery of a complete Submerged Turret Production (STP) system from APL.
- (ii) On 15 July 2010, the Company signed a contract for Gas FPSO (340 mmscfd) for Terang Sirasun Batur with Kangean Energy Indonesia (KEI) and partners (Energi Mega Persada (50%), Mitsubishi (25%) and Japex (25%)). The total value under the contract is USD 875 million with a 10 year fixed contract (up to 14 years including options). First gas is expected early 2012.
- (iii) On 27 July 2010, the Company established a new bridging credit facility of USD 1.1 billion with BW Group Limited, with expiry in November 2011. 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.
- (iv) On 7 September 2010, the Company settled all claims and counter-claims related to the terminated Letter of Intent for the Basker Manta Gummy (BMG) project, as further described in Section 9.4 ("Legal and Arbitration Proceedings") of the Offer Document (incorporated by reference hereto). The settlement involves a cash payment of USD 32.5 million to BW Offshore. The court case is adjourned pending final payment.
- (v) On 9 September 2010, the Company signed a contract for the conversion of BW Carmen for the Athena field with Ithaca Energy (22.5%, operator) and partners Dyas UK (47.5%), EWE (20.0%) and Zeus Petroleum (10.0%). The fixed value under the contract is USD 200 million with potential end of field extensions. First oil is expected in the second half of 2011, BW Carmen will have an oil processing capacity of 28,000 bbls/d and crude storage of 50,000 bbls.

### **8.3 Significant Trends and Events since 30 June 2010**

Except for the changes related to the contracts mentioned in Section 8.2 ("Significant Changes in the BW Offshore Group's Financial or Trading Position Since 30 June 2010") above and the APL Transaction as described in this Supplemental Document, BW Offshore has not experienced any significant trends or events after 30 June 2010 and to the date of this Supplemental Document.

### **8.4 Legal and Arbitration Proceedings**

Except for the matters disclosed in Section 9.4 ("Legal and Arbitration Proceedings") of the Offer Document (as incorporated by reference hereto), and the settlement of the BMG dispute, as further described in Section 8.2(iv) ("Significant Changes in the BW Offshore Group's Financial or Trading Position Since 30 June 2010") above, 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 the period covering at least the previous 12 months of this Supplemental Document 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.

## **9 CAPITAL RESOURCES**

### **9.1 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 usage of the 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 assumes that, considering the generally expected market conditions, the internally generated cash flow, current cash position and available borrowings under the unsecured, revolving credit facility, the funds will be sufficient to fund committed capital expenditures on the 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 with funds received from the operations. The Company believes that funds from the 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 9.3 ("Capitalisation and Indebtedness") below and in Section 10.4 ("Borrowings") of the Offer Document (incorporated by reference hereto) and Section 9.4 ("Borrowings") below.

The Company's net cash inflow from operating activities in the six months period ended 30 June 2010 amounted to USD 156.3 million compared to net cash outflow of USD 6.6 million in the six months period ended 30 June 2009. The improved cash inflow mainly reflects the improvements in operations and milestone payments related to FPSO contracts in 2009 and 2010.

The Company's net cash outflow from investment activities in the six months period ended 30 June 2010 amounted to USD 81.4 million compared to a net cash outflow of USD 186.7 million in the six months period ended 30 June 2009. The net cash outflow from the investment activities in the six months period ended 30 June 2010 mainly relates to the conversion of the FPSO BW Pioneer.

As of 30 June 2010 and 2009, cash and deposits amounted to USD 81.3 million and USD 43.7 million, respectively. In addition, the Company had non-current deposits as of 30 June 2010 and 2009 of USD 130.2 million and USD 192.1 million, respectively, related to the CIRR financing schemes for the FPSO YUUM K'AK'NÀAB and the FPSO Berge Helene.

Furthermore, BW Offshore expects to realise net cash proceeds of USD 500 million as a result of the APL Transaction. The proceeds will be used to repay interest-bearing debt and to repay the APL NOK 500 million bond loan.

For further information regarding the Company's cash flows, funding and capital expenditures, see Section 10.1 ("Cash Flows") and Section 10.4 ("Borrowings") of the Offer Document (incorporated by reference hereto), in addition to Section 9.3 ("Capitalisation and Indebtedness"), Section 9.4 ("Borrowings") and Section 9.5 ("Investments") below.

### **9.2 Working Capital Statement**

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

### 9.3 Capitalisation and Indebtedness

The following table shows the Company's actual capitalisation as of 30 June 2010. The figures have not been audited. For further information, see Section 8.2 ("Significant Changes in the BW Offshore Group's Financial or Trading Position since 30 June 2010") above and the BW Offshore Second Quarter 2010 (incorporated by reference hereto) which is also available on [www.newsweb.no](http://www.newsweb.no).

<b>USD million</b>	<b>As of 30 June 2010 Actual (Unaudited)</b>
Interest-bearing short term debt .....	0.0
<b>A. Current financial debt (unguaranteed/unsecured) .....</b>	<b>0.0</b>
Long term loan facilities including CIRR loans .....	999.6
Mortgage loan.....	(4.4)
Non-current bank deposits related to CIRR loans* .....	(130.2)
<b>B. Total non-current debt (unsecured).....</b>	<b>865.0</b>
<b>C. Other liabilities** .....</b>	<b>516.1</b>
Share capital .....	4.6
Share premium .....	918.8
Other equity .....	(32.1)
<b>D. Total shareholders' equity .....</b>	<b>891.3</b>
<b>E. Total equity and liabilities .....</b>	<b>2,402.6</b>
Cash and cash equivalents.....	81.3
<b>F. Liquidity .....</b>	<b>81.3</b>
<b>G. Current trade and other receivables*** .....</b>	<b>186.2</b>
<b>H. Net current indebtedness (A-F-G).....</b>	<b>(267.5)</b>
<b>I. Non-current financial indebtedness (B).....</b>	<b>865.0</b>
<b>J. Net financial indebtedness (H+I) .....</b>	<b>597.5</b>
<b>Available undrawn amount of credit facility.....</b>	<b>517.0</b>

\*) A total of USD 130.2 million has been drawn from 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.

The net proceeds from the sale of APL will be used to repay interest bearing debt.

### 9.4 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 the 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 517.0 million as of 30 June 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, the cash provided by operations and from long-term bank facilities, together with BW Offshore's liquidity holdings, was 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 in 2007.

The following table shows the relevant key figures relating to the Company's capital resources (both short and long term) as of 30 June 2010:

	<b>Notes</b>	<b>As of 30 June 2010 Actual (Unaudited)</b>
EBITDA-margin .....	1	26.0%
Equity ratio .....	2	37.1%
Return on equity .....	3	(1.3)%
Return on capital employed .....	4	3.2%
Net interest bearing debt (USD million) .....	5	785.5
Cash flow per share (USD).....	6	0.34
EPS - basic and diluted (USD) .....	7	(0.06)
Interest cover ratio.....	8	26.0%
1	Earnings before interest, taxes, depreciation and amortization / 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.	

As of 30 June 2010, the Company had the following amounts drawn/outstanding under its credit and loan facilities:

	<b>Drawn/ Outstanding amount as of 30 June 2010</b>
"USD 1,500 million facility with BW Group" <sup>14</sup> .....	USD 922.5 million
"NOK 500 million APL bond loan" <sup>15</sup> .....	N/A
"USD CIRR financing".....	USD 130.2 million
"NOK mortgage loan".....	USD 4.7 million

On 27 July 2010, the Company entered into a USD 1,100 million bridging credit facility with BW Group Limited.

For a detailed description of the Company's credit facilities and borrowings, cf. Section 10.4 ("Borrowings") of the Offer Document (incorporated by reference hereto).

<sup>14</sup> The USD 922.5 million includes performance bonds issued under the facility.

<sup>15</sup> As of 30 June 2010, APL owned bonds with nominal value of NOK 378.5 million out of the APL NOK 500 million bond loan.



## 9.5 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:

USD million	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December		
		2009 (Audited)	2008 (Audited)	2007 (Audited)
Capital expenditures .....	84.4	438.2	404.8	266.4

### Future committed capital expenditures BW Offshore Group

As of 30 June 2010, committed capital expenditure of USD 60.3 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 to be funded from the 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.

## 10 PRESENTATION OF BW OFFSHORE

For a presentation of BW Offshore, including among other things (i) general corporate information, (ii) legal structure, (iii) history and development of the Company, (iv) track record, and (v) the APL and FPSO business, see Section 11 ("Presentation of BW Offshore") in the Offer Document (incorporated by reference hereto).

For information on BW Offshore following the Offer and/or the APL Transaction, see Section 5.1.5 ("The BW Offshore Group's position in its markets following the APL Transaction"), Section 5.1.6 ("Legal structure of the BW Offshore Group following the APL Transaction") and Section 5.1.7 ("The APL Transaction's significance for the earnings, assets and liabilities of the BW Offshore Group") above.

## 11 BUSINESS AREAS AND MARKETS

For a presentation of the business areas and markets in which BW Offshore operates, including among other things (i) general market drivers, (ii) the floating production market, and (iii) the FPSO market, see Section 12 ("Business Areas and Markets") in the Offer Document (incorporated by reference hereto).

## 12 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

For a presentation of BW Offshore's Board of Directors, management, certain benefits upon termination for the members of the management and the number of employees by geographic location, see Section 13 ("Board of Directors, Management and Employees") in the Offer Document (incorporated by reference hereto).

### 12.1 Number of Shares Held by Members of the Board of Directors and the Management

The table below sets out the number of Shares held by any current member of the Company's Board of Directors and the management as of the date of this Supplemental Document. There has been no change in the number of Shares held by the Company's Board of Directors and the management since the date of the Offer Document.

<b>Name</b>	<b>Position</b>	<b>Number of Shares</b>
Dr. Helmut Sohmen .....	Chairman	Cf. Section 0 below
Christophe Pettenati-Auzière .....	Deputy Chairman	0
Andreas Sohmen-Pao .....	Director	Cf. Section 0 below
René Huck .....	Director	0
David Gairns .....	Director	0
Kathie Child-Villiers .....	Director	0
Maarten R. Scholten .....	Director	0
Carl K. Arnet .....	Chief Executive Officer	5,872,139
Knut R. Sæthre .....	Chief Financial Officer	282,285
Tor Arne Kristiansen .....	Executive Vice President Technology	118,006
David Sverre .....	Executive Vice President Projects	137,639
Jon Myran .....	Executive Vice President Operations	30,000
Erik Svendsen .....	Executive Vice President APL	95,830

## 13 CORPORATE GOVERNANCE

For information about BW Offshore's compliance with corporate governance recommendations, see Section 14 ("Corporate Governance") of the Offer Document (incorporated by reference hereto).

## 14 SHARE CAPITAL AND SHAREHOLDER MATTERS

For a presentation of certain share capital and shareholder matter related to BW Offshore, including among other things, (i) the share capital and share rights, (ii) outstanding authorisations, (iii) share price development, (iv) major shareholders, (v) shareholder and dividend policy, (vi) ownership limitations, (vii) shareholder agreements and lock-up agreements, (viii) certain provisions of the Company's bye-laws, memorandum of association and Bermuda law, and (ix) related party transactions, see Section 15 ("Share Capital and Shareholder Matters") of the Offer Document (incorporated by reference hereto).

### 14.1 Major Shareholders

As of the date of this Supplemental 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 which holds 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 Directors of BW Offshore.

The members of the management and the Board of Directors, excluding the Chairman Dr. Helmut Sohmen and the director Andreas Sohmen-Pao, currently own approximately 1.43% of the Shares, see Section 12 ("Board of Directors, Management and Employees") above. In addition, the Sohmen family, represented by the Chairman

Dr. 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.

#### **14.2 Material Agreements**

Other than the agreements related to the Offer, as described in Section 4 ("The Offer"), the APL Transaction, as described in Section 5.1 ("Description of the APL Transaction") above and the USD 1.1 billion bridge facility entered into with the Company's main shareholder, BW Group, as described in Section 15.9 ("Related Party Transactions") of the Offer Document (incorporated by reference hereto), neither the Company nor any member of the BW Offshore Group has entered into any material contracts outside the ordinary course of business for the two years immediately preceding the date of this Supplemental Document, and no member of the BW Offshore Group has entered into any contracts outside the ordinary course of business containing obligations or entitlements that are, or may be, material to the BW Offshore Group as of the date of this Supplemental Document.

## 15 PRESENTATION OF PROSAFE PRODUCTION

For information purposes only, for a presentation of Prosafe Production, including among other things, (i) the legal structure and history, (ii) the consolidated income statement information, consolidated statements of financial position and consolidated cash flow statement as of and as for the years ended 31 December 2009, 2008 and 2007 and as of and for the three months ended 31 March 2010 and 2009, including Prosafe Production's audited financial statements for the years ended 2009, 2008 and 2007 and the unaudited interim financial information for the first quarter 2010 and the first quarter 2009, (iii) business description, (iv) the board of directors, management, employees and auditor, (v) share capital and shareholders, (vi) material agreements, (vii) legal and arbitration proceedings, and (viii) significant changes in the Prosafe Production Group's financial or trading position since 31 March 2010, see Section 16 ("Presentation of Prosafe Production") of the Offer Document.

### 15.1 Interim Financial Information - Second Quarter 2010

On 16 August 2010, Prosafe Production announced its unaudited interim financial information for the six months periods ended 30 June 2010 (the "Prosafe Second Quarter 2010 Report").

The Prosafe Second Quarter 2010 Report is incorporated by reference into this Supplemental Document, cf. Section 18.3 ("Incorporation by reference") below, and is available on [www.newsweb.no](http://www.newsweb.no). The information in the Prosafe Second Quarter 2010 Report is relevant for the information included in Section 16 ("Presentation of Prosafe Production") in the Offer Document (incorporated by reference hereto).

The following tables show a summary of Prosafe Production's consolidated income statement, statement of financial position and key figures as of and for the years ended 31 December 2009, 2008 and 2007, and as of and for the six months period ended 30 June 2010 and 2009.

Income statement	Six months ended 30 June			Year ended 31 December	
	2010 (Unaudited)	2009 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
<b>USD million</b>					
<b>Operating revenues</b> .....	<b>211.8</b>	<b>141.1</b>	<b>315.0</b>	<b>264.7</b>	<b>150.4</b>
<b>Operating expenses</b> .....	<b>(95.1)</b>	<b>(55.8)</b>	<b>(127.6)</b>	<b>(122.1)</b>	<b>(57.6)</b>
<b>Operating profit / (loss)</b> .....	<b>48.1</b>	<b>51.9</b>	<b>57.0</b>	<b>(111.8)</b>	<b>59.2</b>
<b>Net financial items</b> .....	(24.1)	(25.3)	(44.9)	(81.6)	2.6
<b>Profit / (loss) before taxes</b> .....	<b>24.0</b>	<b>26.6</b>	<b>12.1</b>	<b>(193.4)</b>	<b>61.8</b>
Taxes .....	(7.5)	(7.9)	(19.9)	(10.2)	(8.8)
<b>Net profit (loss)</b> .....	<b>16.5</b>	<b>18.6</b>	<b>(7.8)</b>	<b>(203.6)</b>	<b>53.0</b>
Net profit (loss) from discontinued operations.....	(2.1)	(1.3)	(2.5)	n.a.	n.a.
<b>Net profit (loss)</b> .....	<b>14.4</b>	<b>17.3</b>	<b>(10.3)</b>	<b>(203.6)</b>	<b>53.0</b>

Statement of financial position	As of 30 June		As of 31 December		
	2010 (Unaudited)	2009 (Unaudited)	2009 (Audited)	2008 (Audited)	2007 (Audited)
<b>USD million</b>					
Total non-current assets.....	1,772.8	1,881.0	1,892.0	1,711.4	1,061.3
Total current assets .....	197.9	202.3	204.8	273.2	112.1
Assets classified as held for sale .....	62.8	0.0	0.0	0.0	0.0
<b>Total assets</b> .....	<b>2,033.5</b>	<b>2,083.3</b>	<b>2,096.8</b>	<b>1,984.6</b>	<b>1,173.4</b>

<b>Statement of financial position</b>	<b>As of 30 June</b>		<b>As of 31 December</b>		
	<b>2010</b> (Unaudited)	<b>2009</b> (Unaudited)	<b>2009</b> (Audited)	<b>2008</b> (Audited)	<b>2007</b> (Audited)
<b>USD million</b>					
Share capital .....	25.5	25.5	25.5	25.5	752.8
Other equity .....	782.5	822.4	788.2	780.2	237.2
Total equity .....	808.0	847.9	813.8	805.7	990.1
Total long-term liabilities .....	990.4	1,107.8	1,039.9	1,070.3	71.6
Total current liabilities .....	235.2	127.6	243.1	108.6	111.7
<b>Total equity and liabilities .....</b>	<b>2,033.5</b>	<b>2,083.3</b>	<b>2,096.8</b>	<b>1,984.6</b>	<b>1,173.4</b>

The summary of consolidated income statement, statement of financial position and key figures for the years ended 31 December 2009, 2008 and 2007 have been derived from the Prosafe Production's audited financial statements for the years ended 2009, 2008 and 2007, and the summary of consolidated income statement, statement of financial position and key figures for the six months period ended 30 June 2010 and 2009 have been derived from the Prosafe Production Second Quarter 2010 Report and the unaudited interim financial information for the second quarter 2009.

Ernst & Young Cyprus Limited is the auditor for Prosafe Production Public Limited.

## **16 SECURITIES TRADING IN NORWAY**

For information purposes only, see Section 17 ("Securities Trading in Norway") of the Offer Document for a presentation of certain topics related to securities trading in Norway.

## **17 TAXATION**

For information purposes only, see Section 18 ("Taxation") of the Offer Document for a presentation of, among others, Norwegian taxation related to the Exchange Offer, Norwegian taxation of shareholding in BW Offshore and Bermuda tax considerations.

## **18 GENERAL INFORMATION**

### **18.1 Documents on Display**

For the life of this Supplemental 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: [www.bwoffshore.com](http://www.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 and this Supplemental Document;
- The Company's historical financial information for 2009, 2008 and 2007;
- The Company's interim financial reports for the second quarter 2010 and 2009; and
- The Offer Document and this Supplemental Document.

The Offer Document, this Supplemental Document and other documents (or copies thereof) referred to in this Section 18.1 ("Documents on Display") will be physically available for inspection for 12 months after the date of the Supplemental 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.

### **18.2 Confirmation Regarding Sources**

The Company confirms that information in this Supplemental 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.

### **18.3 Incorporation by Reference**

The information incorporated by reference in this Supplemental Document shall be read in connection with the cross-reference list as set out in the table below. Except as provided in this Section 18.3 ("Incorporation by reference"), no other information is incorporated by reference into this Offer Document.

The Company incorporates by reference the Offer Document ([www.bwoffshore.com](http://www.bwoffshore.com)), its unaudited interim consolidated financial information for the second quarter and first half-year 2010 ([www.bwoffshore.com](http://www.bwoffshore.com)) and the unaudited consolidated financial information for the three and six months period ended 30 June 2010 of Prosafe Production ([www.newsweb.no/www.prosafe.com](http://www.newsweb.no/www.prosafe.com)).

In addition, the Company also separately incorporates by reference its audited consolidated financial statements for the financial years ended 31 December 2009, 2008 and 2007, as well as the audited consolidated financial statements for the financial year ended 31 December 2009 of Prosafe Production.

For more details, see the cross reference list included below.

Section in the Supplemental Document	Disclosure requirements of the Supplemental Document	Reference document and link	Page (P) in reference document <sup>16</sup>
Sections 1, 5.2, 7, 8, 9, 10, 11, 12, 13, 14	- <input type="checkbox"/> <b>BW Offshore - Offer Document</b> <a href="http://www.bwoffshore.com/Disclaimer/DIsclaimer0710/Country/">http://www.bwoffshore.com/Disclaimer/DIsclaimer0710/Country/</a>	<b>BW Offshore - Offer Document</b> <a href="http://www.bwoffshore.com/Disclaimer/DIsclaimer0710/Country/">http://www.bwoffshore.com/Disclaimer/DIsclaimer0710/Country/</a>	P12-20, 45-51, 58-108
Sections 5, 7	Audited historical financial information (Annex I, Section 20.1)	<b>BW Offshore – Financial Statements 2009:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=258373">http://www.newsweb.no/newsweb/search.do?messageId=258373</a> <b>BW Offshore – Financial Statements 2008:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=235134">http://www.newsweb.no/newsweb/search.do?messageId=235134</a> <b>BW Offshore – Financial Statements 2007:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=206791">http://www.newsweb.no/newsweb/search.do?messageId=206791</a>	P35-81  P31-69  P26-63
Section 7	Audit report (Annex I, Section 20.4.1)	<b>BW Offshore – Auditor’s Report 2009:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=258373">http://www.newsweb.no/newsweb/search.do?messageId=258373</a> <b>BW Offshore – Auditor’s Report 2008:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=235134">http://www.newsweb.no/newsweb/search.do?messageId=235134</a> <b>BW Offshore – Auditor’s Report 2007:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=206791">http://www.newsweb.no/newsweb/search.do?messageId=206791</a>	P41  P37  P32
Section 7	Accounting policies (Annex I, Section 20.1)	<b>BW Offshore – Accounting Principles:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=258373">http://www.newsweb.no/newsweb/search.do?messageId=258373</a>	P47-52
Sections 5, 7	Interim financial information (Annex I, Section 20.6.1)	<b>BW Offshore – Second Quarter Financial Information 2010:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=266536">http://www.newsweb.no/newsweb/search.do?messageId=266536</a> <b>BW Offshore – Second Quarter Financial Information 2009:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=244480">http://www.newsweb.no/newsweb/search.do?messageId=244480</a>	P1-12  P1-11
Section 5.3	Audited historical financial information (Annex I, Section 20.1)	<b>Prosaf Production – Financial Statements 2009:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=258071">http://www.newsweb.no/newsweb/search.do?messageId=258071</a>	P47-95
Sections 5.3, 15.4	Interim financial information (Annex I, Section 20.6.1)	<b>Prosaf Production – Second Quarter Financial Information 2010:</b> <a href="http://www.newsweb.no/newsweb/search.do?messageId=265545">http://www.newsweb.no/newsweb/search.do?messageId=265545</a>	P1-12

<sup>16</sup> The original page number as stated in the reference document.

## 19 DEFINITIONS AND GLOSSARY OF TERMS

The definitions and glossary below applies in this Supplemental Document unless otherwise dictated by the context, including the foregoing pages of this Supplemental Document. For definitions and glossary applied in the Offer Document, see Section 21 ("Definitions and Glossary of Terms") in the Offer Document.

### Definitions

<b>Acceptance Form:</b> .....	The form of acceptance to be distributed and used by Prosafe Production shareholders when accepting the Offer, including the adjusted Offer. The Acceptance Form is enclosed as Appendix 2 to this Supplemental Document, and in the Norwegian language in Appendix 3.
<b>APL:</b> .....	APL (Advanced Production & Loading) Plc.
<b>APL Group:</b> .....	APL together with its subsidiaries covered by the APL Transaction.
<b>APL Transaction:</b> .....	The prospective sale of the shares in APL by BW Offshore to National Oilwell Varco Norway AS.
<b>Bermuda Companies Act:</b> .....	The Companies Act 1981 of Bermuda, as amended from time to time.
<b>Board or Board of Directors:</b> .	The board of directors of the Company.
<b>Business Day:</b> .....	Any day except a Saturday, Sunday or any other day on which commercial banking institutions in Norway are not open for general business.
<b>BW Gas:</b> .....	BW Gas Limited.
<b>BW Group:</b> .....	BW Group Limited or BW Group and its subsidiaries as required by the context.
<b>BW Offshore Group:</b> .....	The Company and its subsidiaries.
<b>BW Offshore Second Quarter 2010 Report:</b> .....	BW Offshore's unaudited interim consolidated financial information for the second quarter and first half-year ended 30 June 2010.
<b>Bye-Laws:</b> .....	The Bye-laws of the Company, adopted on 20 April 2006.
<b>Carnegie:</b> .....	Carnegie ASA.
<b>CEO:</b> .....	Chief Executive Officer.
<b>CET:</b> .....	Central European Time.
<b>CFO:</b> .....	Chief Financial Officer.
<b>Combination:</b> .....	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.
<b>Combination Agreement:</b> .....	The combination agreement entered into by BW Offshore and Prosafe Production on 15 September 2010.
<b>Company or BW Offshore:</b> .....	BW Offshore Limited, or BW Offshore Limited and its subsidiaries, as required by the context.
<b>Consideration:</b> .....	1.2 Shares in BW Offshore plus NOK 3.00 in cash for each Prosafe Production share.
<b>Consideration Shares:</b> .....	The Shares to be issued by BW Offshore in the Offer as consideration for the Prosafe Production shares.
<b>EBIT:</b> .....	Earnings Before Interests and Taxes.
<b>EBITDA:</b> .....	Earnings Before Interests, Taxes, Depreciation and Amortisation.
<b>EUR:</b> .....	Euro, the single currency of the European Union member states participating in the European Monetary Union.
<b>Financial Advisers:</b> .....	Carnegie ASA and HSBC Bank plc. for the Offer, and Carnegie ASA for the APL Transaction.
<b>HSBC:</b> .....	HSBC Bank plc.
<b>HSEQ:</b> .....	Health, safety, environment and quality.
<b>IFRS:</b> .....	International Financial Reporting Standards as adopted by the European Union.
<b>National Oilwell Varco:</b> .....	National Oilwell Varco, Inc.
<b>NFSA:</b> .....	The Financial Supervisory Authority of Norway ( <i>Nw.: Finanstilsynet</i> ).
<b>NOK:</b> .....	Norwegian Kroner, the lawful currency of the Kingdom of Norway.
<b>Norwegian Public Limited Liability Companies Act:</b> .....	The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45, as amended from time to time ( <i>Nw.: Allmennaksjeloven</i> ).
<b>Norwegian Securities Trading Act:</b> .....	The Norwegian Securities Trading Act of 29 June 2007 no. 75 ( <i>Nw.: Verdipapirhandelloven</i> ).
<b>Offer or Exchange Offer:</b> .....	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 the Offer Document.
<b>Offer Document:</b> .....	The offer document and information memorandum containing equivalent information as a prospectus dated 27 July 2010.



<b>Offer Period:</b> .....	The period from and including 29 July 2010 to and including 8 September at 17:30 (CET), and any extension thereof as specified by BW Offshore pursuant to the terms of the Offer.
<b>Oslo Børs:</b> .....	Oslo Børs ASA (the Oslo Stock Exchange).
<b>Prosafe Production:</b> .....	Prosafe Production Public Limited.
<b>Prosafe Production Group:</b> .....	Prosafe Production and its subsidiaries.
<b>Prosafe Second Quarter 2010 Report:</b> .....	Prosafe Production's unaudited interim financial information for the six months period ended 30 June 2010.
<b>SGD:</b> .....	Singapore Dollars, the lawful currency of Singapore.
<b>Shares:</b> .....	The shares in the share capital of the Company, each with a par value of USD 0.01.
<b>Share Purchase Agreement:</b> ..	The share purchase agreement entered into by BW Offshore Cyprus Ltd and National Oilwell Varco Norway AS on 12 September 2010, for the sale of all of its shares in APL to National Oilwell Varco Norway AS.
<b>Supplemental Document:</b> .....	This information memorandum and supplemental document, dated 16 September 2010.
<b>Supply Agreement:</b> .....	The supply agreement to be entered into between BW Offshore and APL as part of the APL Transaction.
<b>Technology Agreement:</b> .....	The technology agreement to be entered into between BW Offshore and APL as part of the APL Transaction.
<b>USD:</b> .....	United States Dollars, the lawful currency of the United States of America.
<b>VPS:</b> .....	The Norwegian Central Securities Depository, who organizes the Norwegian paperless securities registration system ( <i>Nw.: Verdipapirsentralen</i> ).

### 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.

<b>Bbl:</b> .....	Barrels of oil (One barrel of oil (=159 liter)).
<b>bbl/d:</b> .....	Barrels of oil per day.
<b>CIRR:</b> .....	Commercial Interest Reference Rate.
<b>Dwt:</b> .....	Dead-weight ton. A vessel's cargo-carrying capacity measured in tons.
<b>E&amp;P:</b> .....	Exploration and Production.
<b>FPSO:</b> .....	Floating Production, Storage and Offloading.
<b>FSO:</b> .....	Floating Storage and Offloading.
<b>ISO:</b> .....	International Organization for Standardization.
<b>Km:</b> .....	Kilometres.
<b>LPG:</b> .....	Liquefied Petroleum Gas.
<b>mmscf/d:</b> .....	Million standard cubic feet gas per day.
<b>STP:</b> .....	Submerged Turret Production Buoy.
<b>Turret:</b> .....	Single point mooring system with fluid transfer system (swivel).
<b>ULCC:</b> .....	Ultra Large Crude Carrier.

**APPENDIX 1**

**Recommendation from the Board of Directors of Prosafe Production Public Limited**

**Oslo Børs has at the time of this Supplemental Document not concluded whether Oslo Børs, in addition to such recommendation, will require a statement on the Offer from an independent third party pursuant to Section 6-16(4) of the Norwegian Securities Trading Act.**

**PROSAFE PRODUCTION PUBLIC LIMITED**

**RECOMMENDATION FROM THE BOARD OF DIRECTORS**

This statement is made by the Board of Directors of Prosafe Production Public Limited ("Prosafe Production" or the "Company") in connection with the revised and improved voluntary offer from BW Offshore Limited ("BWO") to acquire all outstanding shares of the Company.

**Background**

On 21 June 2010, BWO announced its intention to make a voluntary tender offer (the "Original Offer") for the shares in Prosafe Production, which subsequently was made through an offer document dated 27 July 2010 (the "Original Offer").

On 16 August 2010, the Board of Directors of Prosafe Production issued a statement pursuant to which it recommended its shareholders not to accept the Original Offer.

On 13 September 2010, following negotiations over the preceding weekend, Prosafe Production and BWO issued a joint press release announcing their intention to enter into a combination agreement ("Transaction Agreement") pursuant to which BWO were to revise the Original Offer by increasing the consideration offered and extending the acceptance period.

On 15 September 2010, the Boards of Prosafe Production and BWO resolved and executed the Transaction Agreement. Consequently, and as follows from the amendment announcement made by BWO today pursuant to sections 5.13 and 5.14 of the Original Offer document, BW Offshore has now formally adjusted the Original Offer by increasing the cash consideration to NOK 3.00. Under this revised offer (the "Revised Offer"), the Prosafe Production shareholders are now offered to exchange their shares for an improved consideration consisting of:

- (i) 1.2 BWO share;
- and
- (ii) NOK 3.00 in cash,

for every share of Prosafe Production. At the same time, the Offer Period has been extended until 30 September 2010. The other terms set out in the Original Offer, including with respect to conditions, remain the same

**Board Recommendation**

Having reviewed and considered the terms of the Revised Offer and having evaluated the Company's strategic and financial options in order to maximize value for all shareholders, the Board of Directors of Prosafe Production has concluded that a combination of BWO and the Company for the consideration now offered by BWO is in the best interest of Prosafe Production and its shareholders. The Board of Directors expects that the combined company, benefiting from

the resources and experience of BWO and Prosafe Production jointly, will create a strong platform for profitable growth and success. The shareholders in Prosafe Production will be able to participate in this potential as a part of the consideration consists of shares in BWO.

Compared to the Original Offer, the cash consideration is under the Revised Offer increased with NOK 1.00, from NOK 2.00 to NOK 3.00. Furthermore, following the recent development in BWO, including the announced agreement with National Oilwell Varco regarding the sale of APL (Advanced Production & Loading) Plc, the Board is of the view that the value of the in-kind consideration in the form of 1.2 BWO shares per share in Prosafe Production is significantly higher than what was apparent at the time of announcement of the Original Offer.

The Board has received new fairness opinions from its financial advisors First Securities AS and Pareto Securities AS (together the "Advisors") dated 15 September 2010. The two separate opinions both conclude that the Revised Offer is fair to the shareholders of Prosafe Production from a financial point of view. The opinions are based upon and subject to the assumptions, considerations, qualifications, factors and limitations set forth therein.

Considering the above, and based on an overall evaluation of relevant factors, the Board of Directors therefore recommends the shareholders of Prosafe Production to accept the Revised Offer made by BWO.

### **Other Considerations**

Under the Revised Offer, the implied offer price of NOK 15.20 per Prosafe Production share (based on the closing price on 13 September 2010) values the Company's aggregate outstanding shares at approximately NOK 3,879 million. Further, the implied offer price reflects a 18% premium over the volume weighted average price for PROD's shares during the 1 month preceding 13 September 2010, a 9% premium over the volume weighted average price for PROD's shares during the 3 months preceding 13 September 2010 and a 14% premium over the volume weighted average price for PROD's shares during the 12 months preceding 13 September 2010.

Completion of the Revised Offer is conditional upon the same conditions as the Original Offer, including that Prosafe Production shareholders accepting the Revised Offer for the number of Prosafe Production shares required in order for BWO to obtain a shareholding of more than 90% of the total number of issued shares on a fully diluted basis, and that any necessary consents and approvals are obtained.

The acceptance period for the Revised Offer is extended to 30 September 2010 at 17.30 CET. Settlement will be made no later than 10 Norwegian business days after the date of the announcement from BWO that the closing conditions have been met or waived by BWO.

Detailed information about the Revised Offer, including conditions, is set out in the Original Offer document dated 27 July 2010, with certain supplements to be included the supplemental offer document expected to be issued by BWO on or about 17 September 2010. The Board notes in this respect that it has not conducted any due diligence reviews with respect to BWO and its business in connection with the offers nor reviewed the supplemental offer document. As part of the offer consideration is made up by shares of BWO, Prosafe Production shareholders should carefully review both the Original Offer and the supplemental offer document, including without limitation the various risk factors set out therein, before making its decisions.

### **Consequences of Completion**

In the event the Revised Offer is completed successfully, BWO may propose to the general meeting of Prosafe Production that an application be made to Oslo Børs to de-list the Prosafe Production shares from Oslo Børs. An application to de-list the shares of Prosafe Production would require the approval by 2/3 majority of votes cast and the share capital represented at such general meeting.

The combination of the companies is likely to result in an integration of parts of the two companies' organizations and hence there may be consequences for Prosafe Production's employees with regards to employee functions and the Company's locations of operations. The Board of Directors has also noted that in the Original Offer document dated 27 July 2010, it is stated that BW Offshore will as soon as possible seek the synergies expected from the combination of BWO and Prosafe Production, thus potentially affecting the total number of employees in the combined group as ways to combine and streamline the operations will be explored.

#### **Directors' and Management's assessment of the Offer as shareholders**

The Board members who own shares in the Company (directly or indirectly), Ronny Johan Langeland and Arne Austreid, as well as the CEO Bjørn Henriksen, COO Roy Hallås and CFO Sven Børre Larsen, all intend to accept the Offer.

\* \* \*

This recommendation is effective as of this date. The recommendation may, subject to the provisions of the Transaction Agreement, on certain conditions be withdrawn or modified, including in the event of a competing superior offer by a third party or material new adverse information being included in the supplemental offer document.

Limassol, 15 September 2010

The Board of Directors of Prosafe Production Public Limited

**APPENDIX 2**

**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") and with supplementing information provided in the supplemental offer document dated 16 September 2010 (the "Supplemental Document") to which this Acceptance Form is attached. The Supplemental Offer Document provides supplementing information relating to, *inter alia*, the increased offer price, the extended offer period, and BW Offshore's sale of its subsidiary APL (Advanced Production & Loading) Plc to National Oilwell Varco, Inc. **Investors having accepted the Offer prior to publishing of the Supplemental Document, and who do not withdraw their acceptances within two business days following the date of the publishing of the Supplemental Document, i.e. within 20 September 2010 at 17:30 hours (CET), will be deemed to have accepted the adjusted Offer and are not required to return this Acceptance Form.**

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 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 30 September 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:**

- 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.
- 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).
- 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.
- 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
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- 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.
- BW Offshore will pay my/our costs directly related to the VPS transactions in connection with my/our acceptance of the Offer.
- I/We acknowledge that the Offer will only be completed if the conditions set forth in the Offer Document are satisfied or waived.
- 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.
- This Acceptance Form and the Offer is subject to Norwegian law with the Oslo District Court as legal venue.
- 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.
- 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 *)
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\*) 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 *)
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\*) 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 3**

**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") og supplert med et tilleggsdokument datert 16. September 2010 ("Supplemental Document"), som dette Akseptformularet er et vedlegg til. Supplemental Document inneholder, blant annet, tilleggsinformasjon om forhøyet tilbudspris, utvidet akseptperiode og BW Offshores salg av datterselskapet APL (Advanced Production & Loading) Plc til National Oilwell Varco, Inc. **Investorer som på et tidspunkt forut for offentliggjøringen av Supplemental Document har akseptert Tilbudet, og som ikke har benyttet sin rett til å tilbakekalle sin avgitte aksept innen to dager etter offentliggjøringen av Supplemental Document, dvs innen 20. september 2010 kl 17.30 (CET), jf. verdipapirhandelloven § 7-21, annet avsnitt, anses for å ha akseptert det justerte Tilbudet og vil således ikke behøve å sende inn nytt Akseptformular.**

## 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:

VPS-konto:	Antall aksjer:	Rettighetshaver registrert:

## AKSEPTFRIST

Dette Akseptformularet må være mottatt av Carnegie ASA ("Carnegie") innen kl 17.30 (norsk tid) den 30. september 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 akseptert og til å behandle enhver uriktig eller forsinket aksept som gyldig.

## Til BW Offshore og Carnegie:

- 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.
- 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).
- 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.
- 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

- 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 heftelser 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.
- BW Offshore vil dekke mine/våre kostnader direkte relatert til VPS-transaksjonene i forbindelse med min/vår aksept av Tilbudet.
- Jeg/vi erkjenner at Tilbudet bare vil gjennomføres dersom vilkårene angitt i Tilbudsdokumentet oppfylles eller frafalles.
- 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.
- Tilbudet og denne aksept er regulert av norsk rett. Eventuelle tvister vil være underlagt norske domstoler, med Oslo tingrett som eksklusivt verneing.
- 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.
- 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 4**

**Independent assurance report by PricewaterhouseCoopers AS on  
the pro forma financial information**

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 6.3 of the information memorandum and supplemental offer document (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 30 June 2010, the related pro forma condensed consolidated income statement for the 6 months then ended and the pro forma condensed 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, and the APL transaction described in section 6 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

16 September 2010

**PricewaterhouseCoopers AS**



Rita Granlund, State Authorized Public Accountant (Norway)



**BW Offshore Limited**

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