

# BW Offshore fourth quarter and full year results 2019

## HIGHLIGHTS

- EBITDA of USD 169.4 million and operating cashflow USD 134.6 million for the quarter
- EBITDA of USD 709.9 million and operating cashflow USD 608.3 million for the full year
- Extensions signed for Abo FPSO and FPSO Polvo
- Gross production from Tortue of 987 thousand bbls of oil in the quarter and 4.3 million bbls for the full year
- Tullow 10% back-in right exercised
- BW Energy completed second production well of Tortue phase 2 development
- BW Energy IPO completed in February 2020
- USD 100.6 million dividend distributed to BW Offshore shareholders in the form of BW Energy shares
- Proposed initial annual dividend of USD 25 million paid on a quarterly basis

EBITDA for the fourth quarter of 2019 was USD 169.4 million, up from USD 162.1 million in the third quarter. The increase was due to the impact of two liftings from Tortue, and net 1.3 million bbls sold from BW Energy, partly offset by additional provisions and no revenues recognised for FPSO Umuroa negatively impacting results with USD 13 million in the quarter.

Full-year 2019 EBITDA and operating cashflow were at an all-time high due to continued high commercial uptime for the FPSO segment and strong operational results for the E&P business throughout the year.

In December, BW Offshore was awarded a one-year extension to the ABO FPSO contract and the FPSO Polvo received a one-year extension in January 2020. Both units have over time received multiple extensions, confirming that FPSOs have a commercial life far beyond the initial fixed contract period. On Umuroa, the client has not paid any contractual commitments since the third quarter of 2019. It is highly uncertain whether any outstanding amount can be recovered as the client is under receivership. As a result, the fourth quarter is negatively impacted by USD 13 million. Demobilisation from the field and transportation of the unit back to Singapore is being planned which is estimated to cost in the range of USD 20 million.

Gross production from Tortue averaged 10,735 bbls per day in the fourth quarter. The total gross production from the Tortue field was 987 thousand bbls of oil. Two liftings were completed by the licence partners in the fourth quarter, and approximately 1.3 million bbls net was sold from BW Energy at an average realised price of USD 65.1 per barrel. Production cost (excluding royalty) was USD 22.8 per barrel in the quarter.

In November, BW Offshore successfully issued a USD 297.4 million senior unsecured convertible bond due 2024 as well as a NOK 900 million Nordic high-yield bond with maturity in 2023. The two issues refinanced the existing Nordic high-yield bond portfolio, extended maturities and enabled resumption of dividend payments.

On 19 February, BW Offshore completed the planned IPO for listing of BW Energy on the Oslo Stock Exchange, raising gross proceeds of approximately USD 125 million to finance future growth investments. To meet free-float requirements for the listing, BW Offshore distributed 37.7 million shares in BW Energy as dividend in kind to its shareholders. The total value of the dividend shares is approximately USD 100.6 million or equivalent to USD 0.54 per share. Due to financial and oil market volatility during the offer period following the outbreak of the Corona virus in China, the transaction was completed on revised terms compared to the initial plan. Following the completion of the IPO and dividend in kind distribution, BW Offshore holds approximately 38.8% of the shares outstanding in BW Energy.

“The IPO of BW Energy will enable the company to progress as a stand-alone E&P growth company and execute its strong pipeline of projects to deliver long-term value creation for both existing and new shareholders. These include BW Offshore shareholders who received direct ownership through our first dividend distribution in more than four years,” said Marco Beenen, the CEO of BW Offshore. “We will support BW Energy as a close partner and

FPSO provider in years to come. We will also explore business opportunities in a firming FPSO lease and operate market while maintaining a commercially disciplined approach to new investments.”

Following the completion of the IPO of BW Energy, the plan is for the Company to start paying quarterly cash dividends from second quarter of 2020. The board will propose an initial annual dividend of USD 25 million.

## SUMMARY OF INCOME STATEMENT (UNAUDITED)

USD MILLION	Q4 2019	Q3 2019	FY 2019	FY 2018
Operating revenue	303.4	267.2	1,153.0	870.4
Operating expenses	(133.7)	(105.2)	(443.8)	(382.6)
Share of profit/(loss) from equity accounted investments	(0.3)	0.1	0.7	1.4
<b>EBITDA</b>	<b>169.4</b>	<b>162.1</b>	<b>709.9</b>	<b>489.2</b>
Depreciation	(110.4)	(96.1)	(410.5)	(336.5)
Amortisation	(0.4)	(0.2)	(1.8)	(2.1)
Impairment vessels and other assets	-	-	-	(0.1)
Gain/(loss) sale of assets	-	(0.1)	-	7.0
<b>Operating profit/(loss)</b>	<b>58.6</b>	<b>65.7</b>	<b>297.6</b>	<b>157.5</b>
Net financial income/(expense)	(11.3)	(32.4)	(113.3)	(80.7)
<b>Profit/(loss) before tax</b>	<b>47.3</b>	<b>33.3</b>	<b>184.3</b>	<b>76.8</b>
Income tax expense	(16.7)	(23.8)	(78.2)	(40.3)
<b>Net profit/(loss)</b>	<b>30.6</b>	<b>9.5</b>	<b>106.1</b>	<b>36.5</b>

## FINANCIALS

Net financial expense was USD 11.3 million in the quarter which included gains from part-settlement of bonds and swaps related to the buy-back of the BWO01-04 Nordic high-yield bond loans.

Total equity at 31 December 2019 was USD 1,458.5 million (USD 1,374.1 million)<sup>1</sup>. The equity ratio increased to 43.3% at the end of the quarter (40.8%).

Total utilised debt facilities for the Company, including bond loans and other facilities, were USD 1,246.8 million. Total available liquidity as of 31 December 2019 amounted to USD 625.2 million. Net interest-bearing debt was USD 996.6 million at 31 December 2019 (USD 999.1 million).

In November, BW Offshore issued a USD 297.4 million senior unsecured convertible bond due 2024. The net proceeds of the offering were used to refinance existing debt and for general corporate purposes. Later in November, the Company completed a NOK 900 million (USD 102.5 million equivalent) senior unsecured bond issue with a coupon of three-month NIBOR + 4.50% and maturity in December 2023. Net proceeds from the two issues were used to repurchase USD 251.7 million equivalent of outstanding NOK high-yield bonds (on a swapped basis) under BWO01-04 in December 2019. The remaining USD 141.1 million equivalent of outstanding NOK high-yield bonds (on a swapped basis) were fully settled in January 2020.

## FPSO OPERATIONS

The FPSO fleet continued to deliver consistent high uptime in the quarter with an average commercial uptime for the fleet of 99.0% (99.9%).

## BW ENERGY

Drilling operations at Tortue are currently ongoing with the rig completing the last two of four subsea production wells on the Tortue field which will be tied back to BW Adolo, before drilling another exploration well.

In January 2020, the Company completed the second production well of the Tortue Phase 2 development and the first of two new well clusters on the Tortue field which will be tied back to the FPSO BW Adolo and increase oil

<sup>1</sup> Figures presented are compared to previous quarter (previous quarter in brackets)

output. First production from the completed cluster, consisting of the DTM-4H and DTM-5H production wells, is planned for March 2020. The second cluster, also consisting of two wells, is expected to be in production by June 2020. Following completion of the two remaining production wells, the rig will mobilise to a new location and drill the exploration well. The location of this well is still to be determined.

In December, Tullow Oil Gabon S.A. exercised its 10% back-in right to the Dussafu production sharing contract (“PSC”). The agreement is pending a resolution of disputed costs of USD 18.7 million. If an agreement is not reached, then the dispute will be submitted to a simplified arbitration. Following the completion of the back-in right, the interests of the Parties in the PSC will be; BW Energy (73.5%), Tullow (10%), Gabon Oil Company (9%) and Panoro (7.5%).

## **OUTLOOK**

Several years of under-investment has led to declining offshore production of oil and gas. The decrease will likely become more evident in coming years, as production tied to developments made in the previous investment cycle are increasingly subject to natural depletion.

A tighter global balance of crude oil supply and demand and lower break-even costs from increased efficiencies and significant repricing of oil exploration assets is expected to lead to more projects sanctioned going forward. The market outlook for offshore field developments, and FPSOs in particular, is favourable. Initially, the Company expects increased focus on incremental investments tied to existing infrastructure, with green-field investments following later in the cycle.

BW Offshore’s service offering and ability to partner with field owners to provide cost-effective solutions have been well received in the market. The Company is currently evaluating several field-development prospects, including FPSOs. The Company maintains a commercially disciplined approach to new investments and bid selectively on new projects.

The majority of BW Offshore’s fleet remains on long-term contracts with national and independent oil companies. The fleet should continue to generate significant cash flow in the time ahead. BW Offshore has continued to reduce leverage and strengthen its financial position. The group is ready to execute its strategy of redeploying existing assets and assuming new FPSO lease and operate projects only when strict risk-reward criteria are met. The successful BW Energy listing and relating capital raise ensures the E&P business is financed on a stand-alone basis, leaving BW Offshore to deploy capital towards accretive FPSO projects. This positions BW Offshore to capture significant value creation going forward.

**Please see attachments for the presentation, Annual Report and Annual Statement of Reserves. The Earnings Tables are available at: <https://bwoffshore.com/ir/quarterly-results/>**

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

The presentation will be broadcasted via webcast and will also be available for replay.  
Please visit: <https://bwoffshore.com/ir/quarterly-results/>

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### **About BW Offshore:**

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