

# PROSPECTUS



## **BW Offshore Limited**

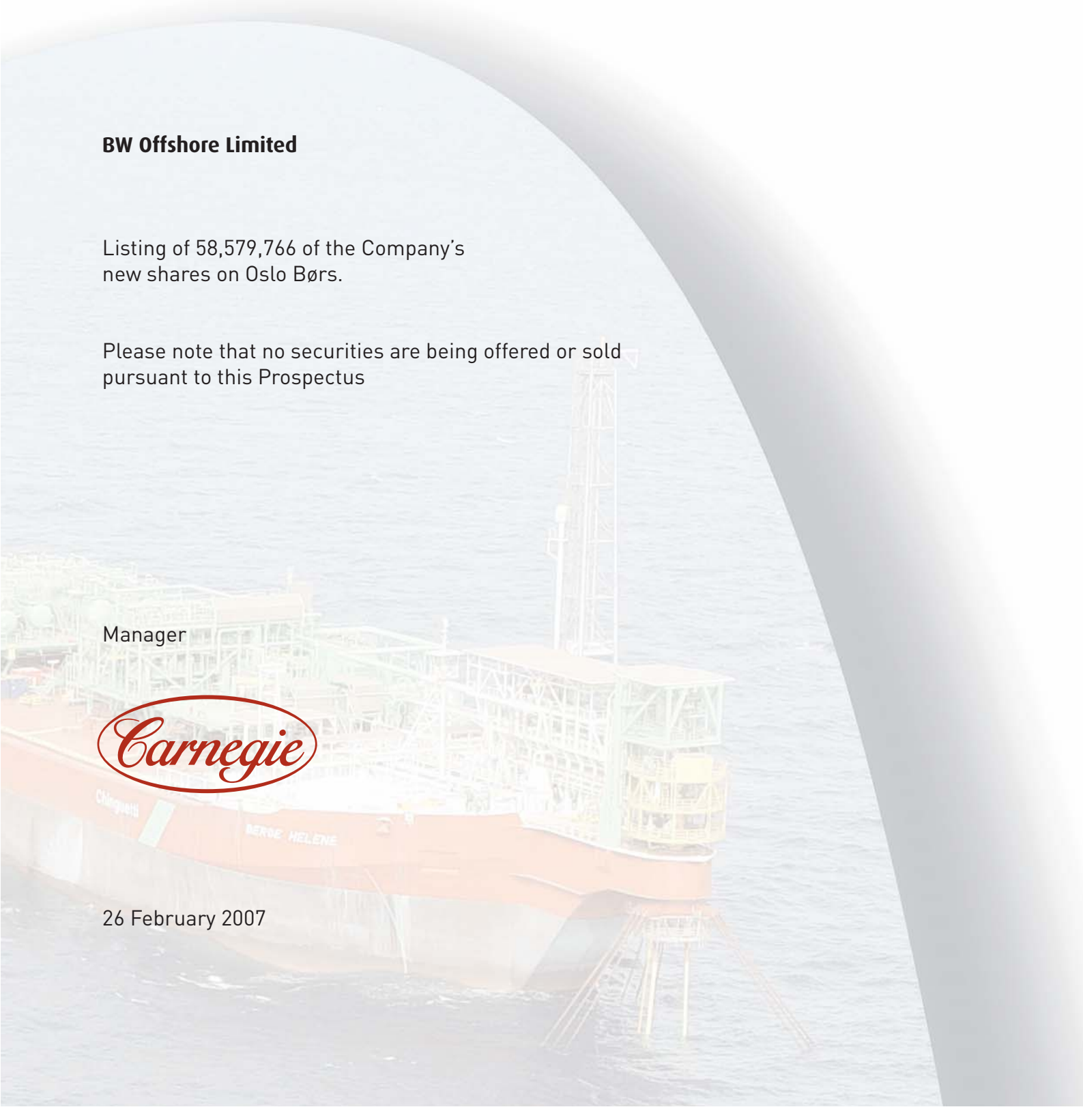
Listing of 58,579,766 of the Company's  
new shares on Oslo Børs.

Please note that no securities are being offered or sold  
pursuant to this Prospectus

Manager



26 February 2007



## **IMPORTANT INFORMATION**

This Prospectus has been prepared in connection with the listing on Oslo Børs of 54,171,164 shares (the "New Shares") of BW Offshore Limited (the "Company" or "BW Offshore") as further described herein.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act chapter 5 and related secondary legislation, including the EC Commission Regulation EC/809/2004. Oslo Børs has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act section 5-8. This Prospectus has been published in an English version only.

Please note that no securities are being offered or sold pursuant to this Prospectus.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. Any new material information and any material inaccuracy that might have an effect on the assessment of the Shares arising after the publication of this Prospectus and before the New Shares are listed on Oslo Børs, will be published and announced promptly as a supplement to this Prospectus in accordance with the Norwegian Securities Trading Act section 5-15.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each reader of this Prospectus should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

All inquiries relating to this Prospectus shall be directed to the Company or the Manager.

The Company has furnished the information in this Prospectus. The Manager makes no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Manager.

**Investing in the Company's Shares involves certain risks. See chapter 2 "Risk factors" of this Prospectus.**

### **RESTRICTIONS**

The distribution of this Prospectus and any separate summary documentation may be restricted by law in certain jurisdictions. Neither this document nor any such summary, constitutes an offer to sell or the solicitation of an offer to buy securities in any jurisdiction.

### **UNITED STATES**

The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "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 nor any U.S. states securities commission has approved of the Shares or determined if this document is accurate or complete.

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 violation 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.

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## 1 SUMMARY

*NOTE: This summary should be read as an introduction to the Prospectus and any decision to invest in the Shares of the Company should be based on consideration of the Prospectus as a whole by the investor, including the risks of investing in the Shares set out in "Risk Factors". This summary is not complete and does not contain all the information that should be considered in connection with any decision to invest in the Shares.*

*Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff might under the applicable legislation have to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

*No civil liability will attach to the Board of Directors of BW Offshore in respect of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.*

### 1.1 The Completed Share Issues and New Shares to be Admitted to Trading

#### 1.1.1 The Private Placement

BW Offshore acquired on 15 January 2007 a total of 12,257,086 shares in Prosafe ASA, equal to approximately 5.3% of the shares and votes of Prosafe ASA, at a purchase price of NOK 86 per share. The acquisition was announced on 15 January 2007. The total purchase price for the Prosafe ASA shares was approximately NOK 1.1 billion.

To finance the acquisition, BW Offshore resolved to perform a Private Placement of 43,605,016 New Shares on 15 January 2007 at a subscription price equal to the closing price the last trading day prior to the date of the Private Placement (NOK 26 per New Share). The net proceeds from the Private Placement were approximately NOK 1.1 billion. The Private Placement was directed at a group of institutional and professional investors in Norway and certain other jurisdictions, a majority which were the sellers of the Prosafe ASA shares. BW Limited guaranteed for the placing of the New Shares in the Private Placement. As a condition for the guarantee, BW Limited reserved the right to subscribe for and be allotted 10,000,000 New Shares in the Private Placement, equal to 22.9% of the total number of New Shares issued in the Private Placement.

In connection with BW Offshore's acquisition of shares in Prosafe ASA, BW Euroholdings Limited (which is a wholly owned subsidiary of BW Limited) on 18 January 2007 granted to BW Offshore an option to acquire 39,675,905 shares in Prosafe ASA at NOK 86. The closing price for the Prosafe ASA shares on Oslo Børs on 16 January 2007 was NOK 91.90. The option was granted to BW Offshore without any consideration from BW Offshore because BW Group wishes to give BW offshore access to the BW Group's Prosafe ASA shares since BW Offshore is the BW Group's vehicle in the offshore industry. The option expires on 30 June 2007. If exercised, BW Offshore will finance the transaction by issuing shares to BW Euroholdings Limited at a price of between NOK 26 and NOK 28 per share. The Board of BW Offshore authorised the Company to issue the 43,605,016 New Shares on 12 January 2007 and such New Shares were issued on 19 January 2007.

To facilitate early delivery and settlement, the subscribers in the Private Placement were delivered existing and unencumbered shares in BW Offshore that was already listed on Oslo Børs. Such Shares were made available pursuant to a Stock Lending Agreement entered into between the Manager and the Company's largest shareholder, BW Limited. The Shares delivered to the subscribers have consequently been tradable on Oslo Børs from the date they were delivered.

The total issued share capital in BW Offshore increased from USD 2,063,949 to USD 2,500,000 upon completion of the Private Placement. The total number of shares in issue increased from 206,394,984 to 250,000,000, each having a par value of USD 0.01.

The issuance of the New Shares in the Private Placement resulted in a dilution of 17.4%<sup>1</sup>.

The expenses of the Private Placement were approximately NOK 21.8 million.

#### 1.1.2 *The Share Issue*

BW Offshore acquired 4,415,000 shares in APL ASA on 5 February 2007 from BW Euroholdings Limited in exchange for 10,566,148 New Shares in BW Offshore, each with a par value of USD 0.01. Based on the market rate of the BW Offshore Share on 5 February 2007, the price paid for each APL share was approximately NOK 66.68.

The Board authorised the Company to acquire the APL ASA shares and to issue the 10,566,148 New Shares on 4 February 2007 and such New Shares were issued on 16 February 2007.

To facilitate early delivery and settlement, BW Euroholdings Limited was delivered existing and unencumbered shares in BW Offshore that was already listed on Oslo Børs. Such Shares were made available pursuant to a Stock Lending Agreement entered into between the Manager and the Company's largest shareholder, BW Limited. The Shares delivered to BW Euroholdings Limited have consequently been tradable on Oslo Børs from the date they were delivered.

The total issued share capital in BW Offshore increased from USD 2,500,000 to USD 2,605,661.48 upon completion of the Share Issue. The total number of Shares in issue increased from 250,000,000 to 260,566,148, each having a par value of USD 0.01.

The Share Issue resulted in a dilution of 4.1%<sup>2</sup>.

The expenses of the Share Issue were approximately NOK 100,000.

On 5 February 2007 BW Offshore invited APL ASA to discuss the strategic rationale for a proposed friendly merger. On 21 February 2007 BW Offshore and APL announced that the boards of the companies had agreed to recommend to their shareholders a combination of the two companies, see section 1.6.2 below..

#### 1.1.3 *The Crystal Sea Share Issue*

On 22 February 2007 BW Offshore announced that it had acquired the vessel Crystal Sea FPSO for a total purchase price of USD 80 million, whereof USD 60 million was paid in cash. As settlement for part of the purchase price corresponding to USD 20 million the Company has issued 4,408,602 New Shares to the seller. The issue price was NOK 27.90 per New Share. The Board authorised the Company to issue the 4,408,602 New Shares on 22 February 2007 and the New Shares were issued the same date.

The total issued share capital in BW Offshore increased from USD 2,605,661.48 to USD 2,649,747.50 upon completion of the Crystal Sea Share Issue. The total number of Shares in issue increased from 260,566,148 to 264,974,750, each having a par value of USD 0.01.

The name of the vessel has been changed to BW Carmen.

The Crystal Sea Share Issue resulted in a dilution of 1.7%<sup>3</sup>.

The expenses of the Crystal Sea Share Issue were approximately NOK 3 million.

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<sup>1</sup> Dilution effect: Ownership share post Private Placement divided by ownership share pre Private Placement minus 100% = percentage immediate dilution in ownership share for BW Offshore shareholders.

<sup>2</sup> Dilution effect: Ownership share post Share Issue divided by ownership share pre Share Issue (but post Private Placement) minus 100% = percentage immediate dilution in ownership share for BW Offshore shareholders.

<sup>3</sup> Dilution effect: Ownership share (%) post Crystal Sea Share Issue divided by ownership share (%) pre Crystal Sea Share Issue (but post Private Placement and Share Issue) minus 100% = percentage immediate dilution in ownership share for BW Offshore shareholders.

#### 1.1.4 *The New Shares to be admitted to trading*

The New Shares has ISIN NO BMG 17 38 J1080 until the New Shares are listed on Oslo Børs upon the approval and publication of this Prospectus. After the approval and publication of this Prospectus all Shares in the Company will have ISIN NO BMG 11 90 N1002.

## 1.2 **BW Offshore Introduction and History**

BW Offshore is an international oil services company focused on the market for Floating Production Storage and Offloading ("FPSO"). The Company's operations date back to a division established by Bergesen d.y. ASA in 1997. The Company was incorporated on 7 June 2005 in Bermuda. BW Offshore was listed on Oslo Børs on 31 May 2006 with the ticker code "BWO". As at 31 December 2005 BW Offshore had revenues of USD 52 million and as at 30 September 2006 revenues of USD 79.3 million (construction charter revenues not included).

### 1.2.1 *Goal and strategy*

BW Offshore is a company that owns, operates and leases FPSOs to oil companies. The Company has an ambition to win two new FPSO contracts per year. The Company will focus on mid to large scale projects, i.e. projects with a total investment scope of USD 200 million and above with a geographical focus on West Africa, Mexico, Brazil and Malaysia. BW Offshore will continue to develop its organisation, by enhancing its project execution and FPSO operations capabilities and further develop its Gas FPSO technology. BW Offshore will actively pursue consolidation opportunities in the FPSO market.

### 1.2.2 *Business description*

The Company owns/operates the following fleet:

- Sendje Berge, FPSO
- Berge Helene, FPSO
- YÙUM K'AK'NÁAB, FPSO (previously BW Enterprise)
- BW Endeavour, FPSO (to be renamed BW Peace)
- Berge Okoloba Toru, LPG FPSO
- BW Carmen, FPSO, (ex. Crystal Sea)
- Belokamenka, FSO
- BW Nisa, ULCC
- BW Pioneer, Suezmax
- BW LPG FPSO I

With the exception of BW Nisa, BW Pioneer and BW LPG FPSO I, all of BW Offshore's units are engaged on long-term contracts ranging from 3 to 15 years. BW Carmen FPSO (ex. Crystal Sea) was acquired on 22 February 2007 and is expected to be employed on an undisclosed intended FPSO contract with commencement within 12 months. The conversion hull BW Nisa is currently engaged on a temporary storage contract in Malaysia that can be terminated with six months notice by the Company when the vessel is required to be converted for an FPSO project. BW Nisa, BW Pioneer and BW LPG FPSO I are currently marketed for potential lease projects.

## 1.3 **Directors, Senior Management and Employees**

The Board consists of Helmut Sohmen (Chairman), Andreas Sohmen-Pao (Deputy Chairman), David Gairns (director), René Huck (director), Christophe Pettenati-Auzière (director) and Kathie Child-Villiers (director).

The Company's management consists of Svein Moxnes Harfjeld (CEO), Niels Erik Feilberg (CFO), Fredrik Berg (director, Corporate Affairs), Elisabeth Barstad (director, Business Development), Tom A. Kristiansen (director, Technical Division), Torfinn Buarøy (director, Operation Division) and Nina Yttervik (director, HR and Administration).

As of the date of this Prospectus, BW Offshore's management company in Oslo has 129 permanent employees, of which 55 are engaged on the units offshore. In addition it has approximately 110 consultants employed in its project organisations. The Company has some 333 employees working on the units offshore employed through the BW Group.

#### **1.4 Major Shareholders and Related Party Transactions**

The following shareholders own more than 5% of the issued shares in the Company:

- BW Limited holds 141,166,148 Shares, which equals 53.3% of the Shares and votes of BW Offshore. The Company is accordingly controlled by BW Limited.
- Franklin Resources, Inc., on behalf of Franklin Mutual Advisers, LLC acting in the capacity as discretionary investment manager to underlying funds and managed accounts has pursuant to disclosure notification 18 January 2007 a total holding of 23,700,703 Shares, which equals 8.9% of the issued shares and votes in BW Offshore.
- Funds managed by ODIN Forvaltning AS holds pursuant to disclosure notification 16 January 2007 a total holding of 22,500,000 Shares, which equals 8.5% of the Shares and votes of BW Offshore.

The Company has entered into various service contracts with members of the BW Group, including but not limited to contracts under which the Company acquires IT services and recruitment services. These contracts have been entered into on an arms length basis.

On 15 January 2007, the Company entered into a stock lending agreement with the Manager and BW Limited to facilitate early delivery of Shares to subscribers in the Private Placement. Under the stock lending agreement, BW Limited agreed to lend 43,605,016 Shares to the Manager and the Manager agreed to subscribe for the New Shares and transfer them to BW Limited to settle the loan. BW Limited did not receive any consideration for the lending of the Shares.

On 18 January 2007 BW Offshore entered into an option agreement with BW Euroholdings Limited, whereby BW Offshore was granted an option to acquire 39,675,905 shares in Prosafe ASA at a strike price of NOK 86, as further described in section 1.1.1 "The Private Placement" above.

On 5 February 2007 the Company entered into a stock lending agreement with the Manager and BW Limited to facilitate early delivery of Shares in connection with the Share Issue. Pursuant to the agreement, BW Limited agreed to lend 10,566,148 Shares to the Manager and the Manager agreed to subscribe for the 10,566,148 New Shares to be issued in the Share Issue and transfer them to BW Limited to settle the loan. BW Limited did not receive any consideration for the lending on the Shares.

On 5 February 2007 BW Offshore acquired APL ASA shares from BW Euroholdings Limited as described in section 1.6.2. BW Euroholdings Limited has later sold such Shares to BW Limited.

#### **1.5 Advisors and auditor**

##### *1.5.1 Manager*

Carnegie has acted as Manager in connection with the Private Placement.

##### *1.5.2 Legal counsel*

Thommessen Krefting Greve Lund AS Advokatfirma has acted as the Company's Norwegian legal counsel in connection with the Private Placement, the Share Issue and the Crystal Sea Share Issue.

##### *1.5.3 Auditor*

PricewaterhouseCoopers AS is the auditor of the Company.

## 1.6 Selected Financial Information

### 1.6.1 Summary of financial information

The following summary of financial information is derived from the Interim combined and consolidated financial information for the third quarter 2006 and the annual financial statements for 2005.

**Table 1-2: Summary of financial information BW Offshore Group**

<b>Income statement (USD million)</b>	<b>Year to date 3Q2006 (unaudited)</b>	<b>Year to date 3Q 2005 (unaudited)</b>	<b>2005 (audited)</b>	<b>2004 (audited)</b>
<b>BW Offshore Group</b>				
Charter Hire	75.7	34.6	46.2	30.7
Construction contract revenue	247.2	0.0	0.0	0.0
Lease interest	3.6	4.0	4.9	4.9
<b>Revenues</b>	<b>326.5</b>	<b>38.6</b>	<b>51.1</b>	<b>35.6</b>
<b>Operating profit/loss</b>	<b>10.4</b>	<b>10.2</b>	<b>6.3</b>	<b>5.8</b>
Net financial items	-4.6	0.8	-0.5	-5.3
Profit/loss before tax	5.8	11.0	5.8	0.5
<b>Net profit/loss</b>	<b>1.0</b>	<b>9.2</b>	<b>2.9</b>	<b>-0.7</b>
<b>Balance Sheet (USD million)</b>				
<b>BW Offshore Group</b>				
Total non-current assets	429.3	285.9	434.5	199.9
Total current assets	411.4	40.9	52.3	40.2
<b>Total assets</b>	<b>840.7</b>	<b>326.7</b>	<b>486.8</b>	<b>240.1</b>
Total shareholders' equity	383.4	-61.9	-85.5	70.5
Total liabilities	457.3	388.6	572.3	169.6
<b>Total liabilities and equity</b>	<b>840.7</b>	<b>326.7</b>	<b>486.8</b>	<b>240.1</b>
<b>Key figures</b>				
<b>BW Offshore Group</b>				
EBITDA (USD million) <sup>1</sup>	31.5	15.3	14.7	14.7
EBITDA margin <sup>2</sup>	39.7%	39.6%	28.8%	41.3%
EBIT margin <sup>3</sup>	13.1%	26.4%	12.4%	16.3%
Basic earnings/(loss) per share (USD) <sup>4</sup>	0.01	7.70	2.41	(0.63)
Diluted earnings/(loss) per share (USD) <sup>4</sup>	0.01	7.70	2.41	(0.63)
Equity ratio <sup>5</sup>	45.6%	-18.9%	-17.6%	29.4%

**Comments:**

- 1) Operating profit before depreciation and write downs
- 2) EBITDA/Revenues (adjusted for Construction contract revenues)
- 3) Operating profit/Revenues (adjusted for Construction contract revenues)
- 4) Net profit/ weighted average number of ordinary shares in a year
- 5) Total shareholder's equity/Total liabilities and equity

EBITDA is included because management believes it is a useful indicator of the Company's cash flows. EBIT is included because management believes it is a useful indicator of the Company's earnings. Both key figures are commonly known and accepted key figures among analysts and investors in the Offshore segment. EBITDA and EBIT are not measures of operating performance or liquidity defined by generally accepted accounting principles under IFRS or US GAAP and may not be comparable to similarly titled measures presented by other companies.

Revenue is adjusted for Construction contract revenue in order for EBITDA and EBIT key figures to reflect the results of FPSOs and FSOs in operation.

### 1.6.2 Summary of trends and events subsequent to 30 September 2006

- 16 October 2006 the Company signed an agreement for the FPSO BW Endeavour (to be renamed BW Peace) at the Bilabri Field, Nigeria with Peak Petroleum Industries and Equator Exploration. The terms of the contract are a firm period of three years with an additional option to extend the contract up to a total of ten years. The hire rate will consist of a fixed day rate plus a production incentive rate.

- On 15 January 2007 the Company acquired 12,257,085 shares in Prosafe ASA. To finance the acquisition, BW Offshore conducted the Private Placement as described in section 1.1.
- On 18 January 2007 BW Offshore entered into an option agreement with BW Euroholdings Limited to acquire 39,675,905 shares in Prosafe ASA as described in section 1.4. Since BW Offshore has the right to exercise the option in its sole discretion, BW Offshore controls a total of 22.6 % of the shares in Prosafe ASA and has as such significant influence in Prosafe ASA. Accordingly the investment in Prosafe ASA is going to be accounted for as an associated company in BW Offshore consolidated accounts.
- On 5 February 2007 BW Offshore acquired 4,415,000 shares in APL ASA, equal to 10.1% of the shares and votes of APL ASA. As consideration BW Offshore issued 10,566,148 New Shares, resulting in an exchange ratio of approximately 2.39 BW Offshore shares for each APL ASA share. BW Offshore announced that it had invited APL ASA to discuss a friendly merger. On 21 February 2007 the boards of BW Offshore and APL ASA announced that they had agreed to recommend to their shareholders a combination of the two companies, creating a major force in the global FPSO market with a strong platform for future growth. BW Offshore will be the acquiring entity. The combination will be executed as a voluntary offer in which APL ASA shareholders are offered a choice between (i) NOK 85 per APL ASA share; or (ii) 3.0249 BW Offshore shares per APL ASA share. The offer will in aggregate be limited to 40% cash settlement. If all APL ASA shareholders accept the exchange offer with settlement in BWO shares, then APL ASA will hold approximately 31% and BW Offshore shareholders will hold approximately 69% of the combined company. APL ASA's CEO, CFO and Board members have given pre-acceptances to the offer. The offer document will be distributed as soon as practicable possible after it has been approved by Oslo Børs. APL will remain as a separate brand name and APL will be a subsidiary of BW Offshore after the completion of the combination.
- On 22 February the Company announced that it had acquired Crystal Sea FPSO for a purchase price of USD 80 million. The Company paid USD 60 million of the purchase price in cash and conducted the Crystal Sea Share Issue, see section 1.1.3, as settlement for part of the purchase price corresponding to USD 20 million. The name of the vessels has been changed to BW Carmen. The purchase contract included an indemnification from the previous owner for any intervention and claims originating from the time when the FPSO was owned by the previous owner.

## 1.7 Summary of Capitalisation and Indebtedness

The following table shows the Company's actual capitalisation as of 30 September 2006.

<b>Table 1-3: Summary of capitalisation and indebtedness BW Offshore Group</b>			
<b>USD million</b>	<b>As at 30 September 2006</b>	<b>Adjustments</b>	<b>BWO as adjusted</b>
Total non-current debt (unguaranteed/unsecured)	400.0	145.0	545.0
Other liabilities	60.9		60.9
Total shareholders' equity	383.4	192.6	576.0
Liquidity (cash and cash equivalents)	116.6		116.6
Net financial indebtedness	235.8	145.0	380.8

For further information regarding this table and the adjustments, see section 8.3 "Capitalisation and indebtedness".

## 1.8 Summary of Risk Factors

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

- **Environmental risks** – Changes in environmental laws may put new burdens on the Company.

- **Market risks** – Decreases in oil and gas prices, E&P spending, and the supply of FPSO/FSOs may affect the demand for FPSO/FSO services.
- **Competition** – The FPSO industry is highly competitive.
- **Redeployment risks** – There is uncertainty attached to whether options will be exercised and contracts extended.
- **Conversions risks** – Delays and cost overruns related to conversions of tankers may occur.
- **Project risks** – The contracts normally contain clauses which could give the customer a right of early termination.
- **Sub-contractors** – The Company could become liable for sub-contractors' failure to deliver key materials, components, services, etc.
- **Financial resources** – Cash flow from operations may not be sufficient to fund ongoing activities and implement the Company's business plan.
- **Access to personnel/resources** – The Company needs to attract and retain personnel to expand its business and execute strategy.
- **Geopolitical risks** – Changes in political regimes will constitute a material risk factor for the Company's operations in foreign countries.
- **Tax risk** – The Company is exposed to risk regarding correct application of tax regulations as well as possible changes in tax regulations in the regions in which the Company carries out its business.
- **Operational risks** – The Company's assets are concentrated in one single industry.
- **Exchange rate risks** – The Company's business has USD as its primary functional currency. The Company is exposed to some expenses incurred in currencies other than USD, such as NOK, SGD and EUR.
- **Credit risk** – The financial position of the Company's major partners may materially change during the contract period.
- **Purchase options** – Certain customers have purchase options attached to the units contracted from the Company.
- **Permits and licenses** – Termination of permits and licenses could have a negative effect of the Company's operations.
- **Adequate insurance protection** – Insurance coverage may not fully cover losses or damages suffered by the Company.
- **Risk factors relating to the Company's financing** – exchange rate risk, interest risk and liquidity risk.
- **Risk factors relating to the Shares** – Price volatility of the Shares, potential dilution of shareholders and control by BW Limited.

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

## **1.9 Additional Information**

### *1.9.1 Share capital and shareholder matters*

The authorised share capital of BW Offshore is 500,000,000 Shares. The issued share capital of the Company is USD 2,649,747.50, divided into 264,974,750 Shares of USD 0.01 each. The Company's issued shares are fully paid.

The authorised share capital of the Company may be increased by a resolution of the Board. Pursuant to the Company's Bye-laws, subject to any resolution of the shareholders to the contrary, the Board may issue any unissued shares on such terms and conditions as it may determine.

All issued Shares are vested with equal shareholder rights in all respects. There is only one class of shares issued and all Shares are freely transferable.

The Shares are registered with VPS under the International Securities Identification Number (ISIN) BMG 11 90 N1002. The registrar for the Shares is DnB NOR Bank ASA, Stranden 21, N-0250 Oslo, Norway.

*1.9.2 Documents on display*

The following documents (or copies thereof) may be inspected at the offices of the Company:

- The Memorandum of Association and Bye-law of the Company;
- The Company's combined and consolidated financial statements for 2005; and
- The Company's interim report for third quarter 2006.

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



## **2 RISK FACTORS**

### **2.1 General**

Investing in BW Offshore involves inherent risks. Prospective investors should consider, among other things, the risk factors set out herein in the Prospectus before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Company's 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 should consider carefully the factors set forth below, and elsewhere in the Prospectus, and should consult his or her own expert advisors as to the suitability of an investment in the Shares of the Company.

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.

All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Forward-looking statements will however be updated if required by applicable law or regulation. Investors are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and those actual results may differ materially from those included within the forward-looking statements as a result of various factors. Factors that could cause or contribute to such differences include, but are not limited to, those described below and elsewhere in this Prospectus.

### **2.2 Risk Factors relating to the Company and the Industry in which it Operates**

#### *2.2.1 Environmental risks*

The activities of the Company are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Compliance with such regulation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Environmental laws may result in a material increase in the costs of operating the Company's units or otherwise adversely affect the Company's financial condition, results of operations or prospects.

The discharge of oil, natural gas or other pollutants into the air or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. Environmental laws may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company which were in compliance with all applicable laws at the time such actions were taken. Furthermore, some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, which could result in liability for environmental damage without regard to negligence or fault.

#### *2.2.2 Market risks*

Demand for FPSO and FSO services in connection with production in the offshore oil and gas sector can be negatively affected by a number of factors including decreases in oil and gas prices, fluctuations in production levels and disappointing exploration results. On the supply side, there is uncertainty when it comes to the level of construction of new production units, the upgrading and maintenance of existing production units, the conversion of tankers into FPSO/FSOs, the level of future demobilisation activity and alternative uses for equipment as market conditions change.

Historically, demand for offshore exploration, development and production has been volatile and closely linked to the price of hydrocarbons. Low oil prices typically lead to a reduction in exploration as the oil companies scale down their own investment budgets. Most of the Company's units are fixed on long-term contracts, and this, to some extent, reduces the Company's exposure against intermediate oil and gas fluctuations. The probability of options being exercised, existing contracts being extended or new contracts being obtained, as well as the terms of new contracts, may be negatively affected by reduction in actual reservoir reserves or in low oil and gas prices generally.

### 2.2.3 *Competition*

The FPSO industry is highly competitive. The Company competes with other companies with an equal or larger resource base. Also, companies not previously involved within the FPSO industry may choose to acquire units to establish themselves as players in the industry and as such provide competition for the Company.

### 2.2.4 *Conversion risks*

The Company has entered into several contracts for the conversion of tankers into FPSO/FSOs which are to service explicit projects. The contracts stipulate dates of delivery and specified prices. In the case of late delivery of work or equipment, the Company may be in a position to impose penalties on the yards and suppliers. Despite these efforts there can be no assurances that delays and cost overruns will not occur and such events, if occurring, could have an adverse impact on the financial position of the Company.

The conversion of the tankers is based on proven methods and technology that has been tested under real operating conditions. The Company is a leading player within the FPSO/FSO sector, and is continually seeking to stay on top of new technology and to implement such new technology into the FPSO/FSOs in a safe and cost competitive way. There is a risk that such new technology may not function as expected and thus resulting in modifications or delays on the units. Such modifications or delays, if occurring, could have an adverse impact on the earnings and the financial position of the Company.

### 2.2.5 *Project risks*

In line with industry practice, a contract will normally contain clauses which could give the customer a right of early termination under specified conditions.

### 2.2.6 *Redeployment risks*

The Company's units are generally equipped according to specifications from the customer. The contracts are usually structured to secure an acceptable return on the investment within the contract period. When the contracts expire, or are terminated early, the Company may encounter difficulties redeploying the units at existing rate levels, or even redeploying the units at all. The cancellation or postponement of one or more contracts or the failure to obtain new contracts on attractive terms can have a material adverse impact on the earnings and financial position of the Company.

### 2.2.7 *Sub-contractors*

The Company is dependent upon the ability of its sub-contractors to provide key materials, components, finished products and services, often custom-made, that meet specifications, quality standards and delivery schedules of the Company. The Company could become liable for delays or deficiencies by its sub-contractors and might not be in a position to reclaim full coverage from the sub-contractor e.g. due to the adverse effect or if the sub-contractor becomes insolvent. Difficulties the Company encounters with such sub-contractors could adversely affect the Company's production schedules, reputation and profitability.

### 2.2.8 *Financial resources*

The Company's cash flow from operations may not be sufficient to fund ongoing activities and implement its business plans. From time to time the Company may enter into transactions to acquire assets or shares of other companies, or to contract new-buildings. These transactions along with the Company's ongoing operations may be financed partially or wholly with debt, which may increase the

Company's debt levels. Depending on future investment plans, the Company may require additional financing, which may not be available or, if available, may not be available on favourable terms. Failure to obtain such financing on a timely basis could cause the Company to forfeit or forego various opportunities. Failure to obtain financing on attractive terms may result in increased financing costs and could adversely affect the Company's earnings and financial position.

As at 30 September 2006, the Company's balance sheet showed an equity of USD 383,4 million. For further information, see chapters 6, 7 and 8 and elsewhere in this Prospectus.

#### *2.2.9 Access to personnel/resources*

The Company's success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel is important to the expansion of the Company's business. The Company faces significant competition for skilled personnel. There is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

#### *2.2.10 Geopolitical risks*

The Company is active in a number of regions. Some of these are politically volatile. Changes in the legislative, political, regulatory and economic framework in the regions in which the Company carries on business could have a material impact on exploration, production and development activity or adversely affect the Company's operations directly or indirectly. Changes in political regimes or political instability may also negatively affect the Company's operations in foreign countries, as well as risk of war, other armed conflicts and terrorist attacks.

#### *2.2.11 Tax risks*

The Company's and/or its subsidiaries' own activities will to a large extent be governed by the fiscal legislation of the jurisdictions where it is operating, as its activities in most cases will be deemed to form a permanent establishment according to the tax laws of those countries. Thus, the Company is exposed to a material risk regarding the correct application of the tax regulations as well as possible future changes in the tax legislation of those relevant countries. In addition, the Company is to a certain extent being exposed to different rules of customs duty.

#### *2.2.12 Operational risks*

The Company's assets are concentrated in a single industry and the Company may be more vulnerable to particular economic, political, regulatory, environmental or other developments than would a company with a portfolio of various industry activities. However, the Company has a portfolio of FPSO/FSOs and should thus be less vulnerable to operational risks than corresponding companies holding only one or two units.

There can be no assurances that the Company's FPSO/FSOs will be successfully deployed for the duration of their useful lives. There will always be some exposure to technical risks, with unforeseen operational problems leading to unexpectedly high operating costs and/or lost earnings, additional investments, penalty payments, etc., which may have a material effect on the earnings and financial position of the Company. Further, the units are working in harsh environments. There are several factors that can contribute to an accident, including, but not limited to, human errors, weather conditions, faulty constructions etc. Also, the units could be requisitioned by a government in the case of war or other emergencies or become subject to arrest which could significantly and adversely affect the earnings of the relevant unit.

#### *2.2.13 Credit risk*

Several of the Company's contracts are long-term, and there can be no guarantees that the financial position of the Company's major partners will not materially change during the contracted period. Given the limited number of major partners of the Company and the significant portion they represent of the Company's income, the inability of one or more of them to make full payment on any of the

Company's contracted units may have a significant adverse impact on the financial position of the Company. The Company attempts to reduce credit risk via parent company or bank guarantees.

#### *2.2.14 Purchase options*

Certain customers have purchase options attached to the units contracted from the Company. If a customer exercises its right to purchase a unit, the Company will receive the agreed compensation but will not receive any further revenue from the unit. This may result in decreased revenue and cash flows from having fewer units operating in its fleet. The contracts for Berge Helene, Berge Okoloba Toru, Belokamenka and YÙUM K'AK'NÁAB, FPSO (previously BW Enterprise) all provide the customers with an option to purchase the units on certain conditions and prices set forth in the contracts. For more information on these purchase options, please see chapter 9 – "Presentation of BW Offshore".

#### *2.2.15 Permits and licenses*

Significant parts of the Company's activities require licenses and permits from authorities in the countries in which it operates. There can be no assurances that the Company will be able to obtain all necessary licenses and permits that may be required to carry out its operations in the future. If the present permits and licenses are terminated or withdrawn, such event could have a negative effect of the Company's operations.

#### *2.2.16 Adequate insurance protection*

The operation of any offshore unit represents a potential risk of major losses and liabilities, death or injury of persons and property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, and other circumstances or events. An accident involving any of the Company's units could result in loss of revenue, fines or penalties, higher insurance costs and damage to the Company's reputation. In the event of a casualty to a unit, or a catastrophic event, the Company will rely on its comprehensive insurance programmes structured with a view to offer optimal protections and compensations emanating from both legislative and contractual requirements. The Company may not have sufficient insurance coverage for the entire range of risks to which it is exposed and any particular claim may not be paid. There is also the possibility that, in the future, the Company may be unable to procure similar adequate insurance coverage at the terms and conditions equal to those it currently has. Any significant loss or liability for which the Company is not insured could have a material adverse effect on its business, financial condition and results of operations. In addition, the loss, or prolonged unavailability, of a unit could have an adverse effect on the Company's business, financial condition and results of operations even if insurance solutions were effective.

### **2.3 Risk Factors relating to the Company's Financing**

#### *2.3.1 Exchange rate risk*

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

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

#### *2.3.2 Interest risk*

The Company has in place a revolving credit facility of USD 600 million of which USD 485.0 million has been drawn down on at the date of this Prospectus. The interest the Company pays on the loan is based on a three or six months LIBOR interest rate renewed every third or sixth month respectively. An increase in the USD interest rate may have a significant adverse impact on the financial position of the Company. The Company is continuously evaluating to hedge some of the interest exposure by using forward contracts to fix the interest on part of the loan and for a certain period of time.

### 2.3.3 *Liquidity risk*

The Company must successfully manage its liquidity and obtain the necessary financing to fund the expected growth. A limited liquidity position may have an adverse impact on the future growth potential of the Company. To minimise this risk, the Company places its free liquidity in bank deposits or use the free liquidity to reduce the drawn amount under its revolving credit facility. BW Offshore has secured long term financing of up to six years and will in due time secure refinancing of the existing revolving credit facility in order to mitigate any risks of limited future re-financing opportunities.

## **2.4 Risk Factors relating to the Shares**

### 2.4.1 *Price volatility of publicly traded securities*

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

### 2.4.2 *Potential dilution of shareholders*

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

### 2.4.3 *Control by BW Limited*

BW Limited indirectly owns approximately 53.3% of the Company's outstanding Shares. Furthermore, BW Limited is approximately 93% owned by companies controlled by the Sohmen family interests. Accordingly, the Sohmen family will indirectly control 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. The interests of the Sohmen family may differ from those of the Company's other shareholders. As a result, BW Limited or the Sohmen family may prevent the Company from making certain decisions or taking certain actions that would be in the interest of its shareholders. This may have the effect of delaying, deferring or preventing a change in control or distribution of dividends as well as discourage bids for the Company's Shares and may adversely affect the value of the Shares.

### **3 RESPONSIBILITY FOR THE PROSPECTUS**

This Prospectus has been prepared in connection with the listing of 58,579,766 new shares of BW Offshore Limited.

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

26 February 2007

#### **The Board of Directors of BW Offshore Limited**

Helmut Sohmen  
Chairman

Andreas Sohmen-Pao  
Deputy Chairman

David Gairns  
Director

René Huck  
Director

Christophe Pettenati-Auzière  
Director

Kathie Child-Villiers  
Director

#### **4 CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus 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” and similar expressions, as they relate to the Company, its subsidiary or its management, are intended to identify forward-looking statements. 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 subsidiary, 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 in which the Company and its subsidiary 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,
- 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 and in chapter 2 “Risk Factors”.

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

## **5 THE COMPLETED SHARE ISSUES**

### **5.1 The Private Placement**

BW Offshore acquired on 15 January 2007 a total of 12,257,086 shares in Prosafe ASA, equal to approximately 5.3% of the shares and votes of Prosafe ASA, at a purchase price of NOK 86 per share. The acquisition was announced on 15 January 2007. The total purchase price for the Prosafe ASA shares was approximately NOK 1.1 billion.

To finance the acquisition, BW Offshore resolved to perform a Private Placement of 43,605,016 New Shares on 15 January 2007 at a subscription price equal to the closing price the last trading day prior to the date of the Private Placement (NOK 26 per New Share). The net proceeds from the Private Placement were approximately NOK 1.1 billion. The Private Placement was directed at a group of institutional and professional investors in Norway and certain other jurisdictions, a majority which were the sellers of the Prosafe ASA shares. BW Limited guaranteed for the placing of the New Shares in the Private Placement. As a condition for the guarantee, BW Limited reserved the right to subscribe for and be allotted 10,000,000 New Shares in the Private Placement, equal to 22.9% of the total number of New Shares issued in the Private Placement.

In connection with BW Offshore's acquisition of shares in Prosafe ASA, BW Euroholdings Limited (which is a wholly owned subsidiary of BW Limited) on 18 January 2007 granted to BW Offshore an option to acquire 39,675,905 shares in Prosafe ASA at NOK 86. The closing price for the Prosafe ASA shares on Oslo Børs on 16 January 2007 was NOK 91.90. The option was granted to BW Offshore without any consideration from BW Offshore because BW Group wishes to give BW offshore access to the BW Group's Prosafe ASA shares since BW Offshore is the BW Group's vehicle in the offshore industry. The option expires on 30 June 2007. If exercised, BW Offshore will finance the transaction by issuing shares to BW Euroholdings Limited at a price of between NOK 26 and NOK 28 per share.

The Board of BW Offshore authorised the Company to issue 43,605,016 Shares on 12 January 2007. The Company, represented by certain personnel, was authorised to determine the most efficient way to issue the Shares. The 43,605,016 New Shares were issued by the Company in accordance with the authorisation from the Board on 19 January 2007.

The subscribers in the Private Placement will be entitled to any dividends declared after the New Shares issued in the Private Placement have been registered on the subscribers' accounts in VPS.

To facilitate early delivery and settlement, the subscribers in the Private Placement were delivered existing and unencumbered shares in BW Offshore that was already listed on Oslo Børs. Such Shares were made available pursuant to a Stock Lending Agreement entered into between the Manager and the Company's largest shareholder, BW Limited. The Shares delivered to the subscribers have consequently been tradable on Oslo Børs from the date they were delivered.

The total issued share capital in BW Offshore increased from USD 2,063,949 to USD 2,500,000 upon completion of the Private Placement. The total number of shares in issue increased from 206,394,984 to 250,000,000, each having a par value of USD 0.01.

The Private Placement was managed by Carnegie ASA.

The net proceeds of the Private Placement have been used to finance the acquisition of the Prosafe ASA shares as set out above, in addition to general corporate purposes.

### **5.2 The Share Issue**

On 5 February 2007 BW Offshore acquired 4,415,000 shares in APL ASA, equal to approximately 10.1% of the shares and votes of APL ASA, from BW Euroholdings Limited. BW Euroholdings Limited received 10,566,148 New Shares in BW Offshore, each with a nominal value of USD 0.01, in exchange for the APL ASA shares, resulting in an exchange ratio of approximately 2.39 BW Offshore shares for



each APL ASA share. Based on the market rate of the BW Offshore Share on 5 February 2007, the price paid for each APL share was approximately NOK 66.68.

The Board of BW Offshore authorised the Company to issue the 10,566,148 New Shares on 4 February 2007. Certain personnel was authorised to determine the most efficient way to issue such Shares. The New Shares were issued by the Company in accordance with the authorisation from the Board on 16 February 2007.

BW Euroholdings Limited became entitled to dividends declared after the New Shares issued in the Share Issue was registered on its VPS account.

To facilitate early delivery and settlement, BW Euroholdings Limited was delivered existing and unencumbered shares in BW Offshore that was already listed on Oslo Børs. Such Shares were made available pursuant to a Stock Lending Agreement entered into between the Manager and the Company's largest shareholder, BW Limited. The Shares delivered to BW Euroholdings Limited have consequently been tradable on Oslo Børs from the date they were delivered.

The total issued share capital in BW Offshore increased from USD 2,500,000 to USD 2,605,661.48 upon completion of the Private Placement. The total number of shares in issue increased from 250,000,000 to 260,566,148, each having a par value of USD 0.01.

Following the acquisition of the APL shares, BW Offshore has invited APL ASA to discuss a strategic rationale for a proposed friendly merger between the companies. On 21 February 2007 the board of BW Offshore and APL ASA announced that they had agreed to recommend to their shareholders a combination of the two companies, see section 7.2.

### **5.3 The Crystal Sea Share Issue**

On 22 February 2007 BW Offshore announced that it had acquired the vessel Crystal Sea FPSO for a total purchase price of USD 80 million, whereof USD 60 million was paid in cash. As settlement for part of the purchase price corresponding to USD 20 million the Company has issued 4,408,602 New Shares to the seller. The issue price was NOK 27.90 per New Share. The Board authorised the Company to issue the 4,408,602 New Shares on 22 February 2007 and the New Shares were issued the same date.

The seller became entitled to dividends declared after the New Shares issued in the Share Issue was registered on its VPS account.

The total issued share capital in BW Offshore increased from USD 2,605,661.48 to USD 2,649,747.50 upon completion of the Crystal Sea Share Issue. The total number of Shares in issue increased from 260,566,148 to 264,974,750, each having a par value of USD 0.01.

The name of the vessel has been changed to BW Carmen.

### **5.4 The New Shares**

The New Shares will be admitted to trading on Oslo Børs following approval and publication of this Prospectus. The Company expects the New Shares to be admitted to trading on or about 27 February 2007.

The New Shares has ISIN NO BMG 17 38 J1080 until the New Shares are listed on Oslo Børs upon the approval and publication of this Prospectus. After the approval and publication of this Prospectus all Shares in the Company will have ISIN NO BMG 11 90 N1002. The New Shares are created under the laws of Bermuda.

The New Shares are vested with equal shareholder rights in all respect as the existing Shares. There is only one class of shares issued and all Shares are freely transferable. For a description of the Shares, reference is made to section 13.1 – "The Shares".

## **5.5 Dilution**

The issuance of the New Shares in the Private Placement resulted in a dilution of 17.4%<sup>4</sup>.

The Share Issue resulted in a dilution of 4.1%<sup>5</sup>.

The Crystal Sea Share Issue resulted in a dilution of 1.7%<sup>6</sup>.

## **5.6 Expenses**

The expenses of the Private Placement were approximately NOK 21.8 million.

The expenses of the Share Issue were approximately NOK 100,000.

The expenses of the Crystal Sea Share Issue were approximately NOK 3 million.

## **5.7 Manager**

The Manager for the share issues described above was Carnegie ASA, P.O. Box 684 Sentrum, N-0106 Oslo, Norway.

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<sup>4</sup> Dilution effect: Ownership share (%) post Private Placement divided by ownership share (%) pre Private Placement minus 100% = percentage immediate dilution in ownership share for BW Offshore shareholders.

<sup>5</sup> Dilution effect: Ownership share post Share Issue (%) divided by ownership share pre Share Issue (%) (but post Private Placement) minus 100% = percentage immediate dilution in ownership share for BW Offshore shareholders.

<sup>6</sup> Dilution effect: Ownership share (%) post Crystal Sea Share Issue divided by ownership share (%) pre Crystal Sea Share Issue (but post Private Placement and Share Issue) minus 100% = percentage immediate dilution in ownership share for BW Offshore shareholders.

## **6 BW OFFSHORE SELECTED CONSOLIDATED FINANCIAL INFORMATION**

The selected combined and consolidated income statement information for the fiscal years ended 31 December 2005 and 2004 and the selected combined and consolidated balance sheet information as of 31 December 2005 and 2004 have been derived from the Company's audited financial statements 2005 attached to this Prospectus as Appendix I. The selected condensed, combined and consolidated income statement information for the nine months ended 30 September 2006 and 2005 has been derived from the Company's unaudited interim financial statements for the third quarter 2006, is attached to this Prospectus as Appendix II.

The Company is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company consists of BW Offshore and its subsidiaries. The Company develops, owns, and operates oil and gas FPSOs and FSOs.

BW Limited became the ultimate parent company of the FPSOs and FSOs currently owned by the BW Offshore Group in January 2004. BW Limited and its subsidiaries are referred herein as the "BW Group". The Company was established in Bermuda in June 2005 as a wholly owned subsidiary of the BW Group, to serve as the holding company for the activities within the offshore segment of the BW Group. In the second half of 2005, the Company purchased four offshore units and two tankers available for conversion to offshore units, from BW Gas ASA ("BW Gas"), an entity under common control within the BW Group, through six single purpose subsidiaries. The following units were purchased through funding from BW Group: (i) Sendje Berge, (ii) Berge Helene, (iii) Berge Okoloba Toru, (iv) Belokamenka, (v) YÛUM K'AK'NÁAB (ex. BW Enterprise and Folk Moon) and (vi) BW Nisa (ex. Folk Sea). The Company also established a management company, BW Offshore AS. Personnel related to the offshore business were transferred from BW Gas to the BW Offshore Group. The sale of the units and the transfer of the management operations ("the Transaction") were carried out at estimated fair value. All assets and operations transferred are managed collectively and constitute a business that is under the same ultimate ownership both before and after the transaction. Therefore, under IFRS, the Transaction is accounted for in a manner similar to pooling-of-interests in which the predecessor book values in the historical financial statements are also the values used prospectively. Accordingly, the difference between fair value of the business implied in the Transaction and the predecessor book values is presented as a distribution to BW Limited. The combined and consolidated income statements, balance sheets, statements of changes in equity and cash flows statements are presented as if the current group structure has been in existence from the earliest period presented. The predecessor values are brought from the consolidated financial statements of BW Limited.

In the combined and consolidated financial statements, each unit is included either from January 2004, when BW Limited became the ultimate parent company, or the date the unit was transferred from another segment within the BW Group to the offshore segment, where it was managed within this segment either as a FSO or FPSO or as a vessel available for conversion, whichever is the earliest date. Units sold during 2004 and 2005 have been included up to the date of sale and accounted for as disposition of asset upon sale. One unit, Berge Troll, was removed from the offshore segment, but is included up to the date of formation of the BW Offshore Group in June 2005 and accounted for as distribution of capital to the shareholder. For 2005 distribution to BW Limited was USD 154,455,000 paid in cash, and the non-cash transaction of USD 4,421,000 relating to Berge Troll being removed from the segment. Distribution to owner in 2004 is capital reduction and group contributions to BW Limited.

**6.1 Selected Annual Combined and Consolidated Financial Information***6.1.1 Combined and consolidated income statement*

	Years ended 31 December	
	2005 USD '000 (Audited)	2004 USD '000 (Audited)
<b>OPERATING INCOME AND OPERATING COSTS</b>		
Charter hire	46 203	30 670
Lease Interest	4 851	4 909
<b>Revenues</b>	<b>51 054</b>	<b>35 579</b>
Wage cost	(8 424)	(6 785)
Other operating expenses	(27 910)	(21 756)
Depreciation and amortization	(8 402)	(8 895)
Net gain on sale of tangible fixed assets	0	7 668
<b>Operating expenses</b>	<b>(44 736)</b>	<b>(29 768)</b>
<b>Operating profit</b>	<b>6 317</b>	<b>5 812</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>		
Currency exchange gain (loss) – net	4 807	(4 492)
Interest income	1 419	1 182
Interest expense	(6 762)	(1 988)
<b>Profit before tax</b>	<b>5 782</b>	<b>514</b>
Income tax expense	(2 890)	(1 270)
<b>Net profit (loss)</b>	<b>2 892</b>	<b>(757)</b>
Basic earnings/(loss) per share (Figures in USD)	2.41	(0.63)
Diluted earnings/(loss) per share (Figures in USD)	2.41	(0.63)

## 6.1.2 Combined and consolidated balance sheet

ASSETS	Years ended 31 December	
	2005	2004
	USD '000 (Audited)	USD '000 (Audited)
Vessels, vessels under construction and vehicles	410 766	176 845
Finance lease receivable	22 765	23 076
Computer software	195	0
Deferred tax	741	0
<b>Total non-current assets</b>	<b>434 467</b>	<b>199 921</b>
Inventories	975	4 088
Trade and other receivables	14 685	3 727
Cash and cash equivalents	36 654	32 391
<b>Total current assets</b>	<b>52 314</b>	<b>40 206</b>
<b>TOTAL ASSETS</b>	<b>486 781</b>	<b>240 127</b>
EQUITY AND LIABILITIES	Years ended 31 December	
	2005	2004
	USD '000 (Audited)	USD '000 (Audited)
Share capital	12	0
Retained earnings	2 135	(757)
Other equity	(87 630)	71 246
<b>Total shareholder's equity</b>	<b>(85 483)</b>	<b>70 490</b>
Retirement benefit obligations	4 337	0
<b>Total non-current liabilities</b>	<b>4 337</b>	<b>0</b>
Trade and other payables	52 335	11 363
Income tax liabilities	731	166
Amount due to ultimate holding corporation (non-trade)	508 327	151 690
Amount due to related companies	6 536	6 418
<b>Total current liabilities</b>	<b>567 928</b>	<b>169 637</b>
<b>Total liabilities</b>	<b>572 264</b>	<b>169 637</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>486 781</b>	<b>240 127</b>

## 6.1.3 Combined and consolidated cash flow statement

	Years ended 31 December	
	2005 USD ` 000 (Audited)	2004 USD ` 000 (Audited)
<b>Cash flow from operating activities</b>		
Profit/(loss) before taxes	5 782	514
Income tax paid	(2 928)	(1 444)
Gain/(loss) on disposal of fixed assets	0	(7 668)
Depreciation and amortization	8 402	8 895
Difference between pension costs and pension payments	572	0
Changes in inventories, receivables and accounts payable	33 137	(21 147)
<b>Net Cash generated from operating activities</b>	<b>44 965</b>	<b>(20 850)</b>
<b>Cash flow from investing activities</b>		
Investment in operating fixed assets	(244 730)	(90 958)
Purchase of intangible assets	(206)	0
Investment in financial lease assets	0	(4 744)
Sales of operating fixed assets	2 418	66 778
Installment on financial lease	311	253
<b>Net cash flow from investing activities</b>	<b>(242 207)</b>	<b>(28 671)</b>
<b>Cash flow from financing activities</b>		
Proceeds from short-term debt	355 960	77 765
Paid-in/(distributed) equity	(154 455)	(35 898)
<b>Net cash flow from financing activities</b>	<b>201 505</b>	<b>41 867</b>
Net change in cash and cash equivalents	4 263	(7 654)
Cash and cash equivalents as at 1 January	32 391	40 045
<b>Cash and cash equivalents as at 31 December</b>	<b>36 654</b>	<b>32 391</b>

## 6.1.4 Segment information

**Business segments**

All the activities of the BW Offshore Group are within one business segment; the offshore segment.

**Geographical segments**

The BW Offshore Group has operations in two geographical areas, Russia and West Africa, with most of the activity taking place in West African countries. Segment information about the BW Offshore Group's operations is presented below:

USD 1,000s	2005 (Audited)				2004 (Audited)		
	West Africa	Russia	Other	Total	West Africa	Russia	Total
Revenue	42 054	9 000	0	51 054	29 367	6 212	35 579
Operating expenses	(40 327)	(4 409)	0	(44 736)	(27 061)	(2 707)	(29 768)
Operating profit	1 727	4 591	0	6 317	2 306	3 506	5 812
Interest expenses	(5 206)	(1 556)	0	(6 762)	(1 234)	(754)	(1 988)
Total non-current assets	331 718	22 765	79 984	434 467	176 845	23 076	199 921

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

## 6.2 Selected Unaudited Interim Condensed, Combined and Consolidated Financial Information

### 6.2.1 Interim combined and consolidated income statement

(In USD million)	Current period		Year to date		2005 Audited
	3Q 2006 Unaudited	3Q 2005 Unaudited	3Q 2006 Unaudited	3Q 2005 Unaudited	
<b>OPERATING INCOME AND OPERATING COSTS</b>					
Charter hire	30.9	16.0	75.7	34.6	46.2
Construction contract revenue	70.8	0.0	247.2	0.0	0.0
Lease interest	1.2	1.5	3.6	4.0	4.9
<b>Revenues</b>	<b>102.9</b>	<b>17.5</b>	<b>326.5</b>	<b>38.6</b>	<b>51.1</b>
Administrative expenses	(5.1)	(1.4)	(16.4)	(4.9)	(7.5)
Operating expenses	(8.0)	(8.1)	(31.4)	(18.4)	(28.8)
Construction contract expenses	(70.8)	0.0	(247.2)	0.0	0.0
<b>Operating expenses</b>	<b>(83.9)</b>	<b>(9.5)</b>	<b>(295.0)</b>	<b>(23.3)</b>	<b>(36.3)</b>
<b>Operating profit before depreciation</b>	<b>19.0</b>	<b>8.0</b>	<b>31.5</b>	<b>15.3</b>	<b>14.7</b>
Depreciation and amortization	(8.3)	(2.4)	(21.1)	(5.1)	(8.4)
<b>Operating profit</b>	<b>10.7</b>	<b>5.6</b>	<b>10.4</b>	<b>10.2</b>	<b>6.3</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>					
Currency exchange gain (loss)-net	0.0	(0.0)	(1.0)	4.3	4.8
Interest income	1.7	1.9	3.1	2.2	1.4
Fair value gains on financial instruments	3.3	0.0	3.3	0.0	0.0
Interest expense	(3.1)	(3.1)	(10.0)	(5.6)	(6.8)
<b>Profit before tax</b>	<b>12.6</b>	<b>4.3</b>	<b>5.8</b>	<b>11.0</b>	<b>5.8</b>
Income tax expense	(1.5)	(0.8)	(4.8)	(1.8)	(2.9)
<b>Net Profit (loss)</b>	<b>11.1</b>	<b>3.5</b>	<b>1.0</b>	<b>9.2</b>	<b>2.9</b>
Basic earnings/(loss) per share (USD)	0.05	2.95	0.01	7.70	2.41
Diluted earnings/(loss) per share (USD)	0.05	2.95	0.01	7.70	2.41

### 6.2.2 Interim combined and consolidated balance sheet

ASSETS (in USD million)	3Q 2006 Unaudited	3Q 2005 Unaudited	2005 Audited
Vessels, vessels under construction and vehicles	402.0	262.8	410.8
Finance lease receivables	22.5	22.8	22.8
Other long-term receivables	2.9	0.0	0.0
Computer software	1.1	0.0	0.2
Deferred tax asset	0.9	0.2	0.7
<b>Total non-current assets</b>	<b>429.3</b>	<b>285.9</b>	<b>434.5</b>
Inventories	4.4	0.5	1.0
Trade and other receivables	38.4	7.8	14.7
Project receivable	247.2	0.0	0.0
Derivatives	3.3	0.0	0.0
Pre-payment on vessel	1.6	0.0	0.0
Cash and cash equivalents	116.6	32.5	36.7
<b>Total current assets</b>	<b>411.4</b>	<b>40.9</b>	<b>52.3</b>
<b>TOTAL ASSETS</b>	<b>840.7</b>	<b>326.7</b>	<b>486.8</b>

<b>EQUITY AND LIABILITIES (in USD million)</b>	<b>3Q 2006 Unaudited</b>	<b>3Q 2005 Unaudited</b>	<b>2005 Audited</b>
Share capital	2.1	(0.0)	0.0
Share premium reserve	465.9	0.0	0.0
Retained earnings	(84.6)	(61.9)	(85.5)
<b>Total equity</b>	<b>383.4</b>	<b>(61.9)</b>	<b>(85.5)</b>
Long-term loan facility	396.4	0.0	0.0
Retirement benefit obligations	4.1	0.0	4.3
Deferred tax liabilities	0.0	0.0	0.0
<b>Total non-current liabilities</b>	<b>400.5</b>	<b>0.0</b>	<b>4.3</b>
Trade and other payables	56.3	19.9	52.3
Income tax liabilities	0.5	0.7	0.7
Amount due to ultimate parent company (non-trade)	0.0	367.3	508.3
Amount due to other related companies	0.0	0.7	6.5
<b>Total current liabilities</b>	<b>56.8</b>	<b>388.6</b>	<b>567.9</b>
<b>Total liabilities</b>	<b>457.3</b>	<b>388.6</b>	<b>572.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>840.7</b>	<b>326.7</b>	<b>486.8</b>

### 6.2.3 Interim combined and consolidated cash flow statement

<b>(in USD million)</b>	<b>Unaudited 3Q 2006</b>	<b>Unaudited 3Q 2005</b>	<b>2005</b>
Net cash flow from operations	(10.5)	21.0	45.0
Net cash flow from investing activities	(259.1)	(90.9)	(242.2)
Net cash flow from financing activities	349.5	70.0	201.5
Net change in cash and cash equivalents	79.9	0.1	4.3
Cash and cash equivalents	36.7	32.4	32.4
<b>Cash and cash equivalents end of period</b>	<b>116.6</b>	<b>32.5</b>	<b>36.7</b>

## 6.3 Summary of Accounting Policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities.

All accounting standards and interpretations effective for financial year ended 31 December 2005 and for the nine months ended 30 September 2006 have been applied respectively for the periods then ended.

Standards, interpretations, and amendments to published standards which were not yet effective as of 31 December 2005:

IAS 19 (amendments), Employee benefit (effective from 1 January 2006).

This amendment introduces an alternative method for treatment of actuarial gains and losses. The amendment also requires extra disclosures. The BW Offshore Group will consider use of the alternative accounting method for actuarial gains and losses which implies recognising the gains/losses directly to equity.



*IFRIC 4, Determining whether an arrangement contains a Lease (effective from 1 January 2006).*

IFRIC 4 deals with arrangements comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an in return for a payment or series of payments, often together with related services. This Interpretation provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with IAS 17. These principles were adopted by the group as from 1 January 2006 and they had no impact on the interim financial information as then reported.

The following new standards, interpretations and amendments to published standards have no material effect for the BW Offshore Group's financial statements or interim financial information as reported:

- (i) IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)
- (ii) IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006)
- (iii) IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)
- (iv) IFRS 1 (Amendment), First Time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
- (v) IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)
- (vi) IFRS 7, Financial Instruments: Disclosures, and a complementary amendment in IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007)
- (vii) IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the chartering and rendering of operational services related to FPSOs and FSOs.

#### *Operational services*

Rendering of services on FPSO and FSO operating contracts are recognised as revenue on a straight line basis based on contractual daily rates.

#### *Chartering of vessels*

Chartering of FPSO and FSO to customers is recognised as revenue based on whether the chartering contract is considered to be an operating or finance lease under IAS 17.

#### *Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are recognised as revenue on a straight line basis based on contractual daily rates.

#### *Finance lease*

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held under a finance lease are presented in the balance sheets as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

#### *Construction contracts*

Conversion of FPSOs to be delivered under a financial lease contract is defined as a construction project in which revenues relating to the project is recognised in the income statement in line with the project's progress and when the project's results can be reliably estimated. Progress is measured as a percentage calculated as the total expenses incurred on the project compared to the forecast total

expenses for the project. When the project's results cannot be reliably estimated, only revenues equal to the accrued project costs will be taken to revenue. Any estimated loss on a contract will be recognised in the income statement for the period when it is identified that the project will lead to a loss.

#### *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

#### *Dividend distribution*

Dividend income is recognised when the right to receive payment is established.

### **Group accounting**

#### *Subsidiaries*

Subsidiaries are entities (including special purpose entities) over which the BW Offshore Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Any difference between the purchase price and the fair value of net assets is recognised as goodwill.

Subsidiaries are consolidated from the date on which control is transferred to the BW Offshore Group through the date on which that control ceases. In preparing the combined and consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the BW Offshore Group.

#### *Joint ventures*

Joint ventures are entities over which the BW Offshore Group has contractual arrangements to jointly share the control with one or more parties. The BW Offshore Group's interest in joint ventures is accounted for in the combined and consolidated financial statements by proportionate consolidation. Proportionate consolidation involves combining the BW Offshore Group's share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the BW Offshore Group's financial statements.

#### *Transaction costs*

Costs directly attributable to an acquisition are included as part of the cost of acquisition.

### **Tangible fixed assets**

#### *Measurement*

- (i) Vessels, vehicles and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.
- (ii) The cost of vessels, vehicles and equipment includes expenditure that is directly attributable to the acquisition of the items. Removal costs are included as part of the cost of vessels if the obligation for removal is incurred as a consequence of acquiring or using the asset.
- (iii) Instalments on conversion projects are capitalised as vessels under construction as they are paid. Capitalised value is reclassified as vessels upon successful commissioning at oil field. The acquisition cost reported is the sum of the instalments paid plus costs incurred during the construction period including imputed interest.

*Depreciation*

Depreciation is calculated using a straight-line method to allocate the depreciable amounts of vessels, vehicles and equipment, after taking into account the residual values, over their estimated useful lives, of which both the residual values and estimated useful lives are both subject to review at each balance sheet date. The useful lives of FPSOs and FSOs are 10 years, the useful lives of tankers ready for conversion are 25 years, and the useful lives of vehicles and equipment are three to five years.

*Subsequent cost*

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BW Offshore Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

*Disposal activities*

Gains and losses that result from the disposal of vessels, vehicles and equipment are recorded on a separate line in the consolidated income statements.

**Intangible assets***Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other costs associated with maintaining computer software are charged to the income statement during the financial period in which they are incurred.

Acquired computer software licenses are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives not exceeding five years.

**Impairment of assets**

Assets including vessels, vehicles and equipment and other intangible assets, are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each FPSO and FSO is identified as a cash-generating unit.

**Leasing**

Leases are classified as finance whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. Generally, the BW Offshore Group has no arrangements whereby it is the lessee.

*The BW Offshore Group as lessor*

Assets held under a finance lease is presented in the balance sheets as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition or conversion of vessels, which take a substantial period of time to get ready for their intended use, are added to the cost of the vessels, until such time as the vessels are substantially ready for their intended use. If the BW Offshore Group is not successful in the acquisition or conversion of a vessel, these costs are expensed immediately. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

Loans are recognised at the amount received, net of transaction costs. The loans are thereafter recognised at amortised costs using the effective interest rate method, with the difference between the net amount received and the redemption value being recognised in the income statement over the term of the loan.

**Trade and other receivables**

Trade and other receivables are recognised initially at originally invoiced amount and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the BW Offshore Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

**Trade and other payables**

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

**Fair value estimation**

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the BW Offshore Group for similar financial instruments.

**Inventories**

Inventories comprise mainly fuel oil remaining on board vessels. Inventories are measured at the lower of cost or net realizable value.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in borrowings on the balance sheet.

**Derivatives**

Derivatives that are not classified as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value in accordance with IAS 39. Changes in the fair value of such derivatives are recognised in the income statement.

All purchases and sales of financial instruments are recognised on the transaction date. The transaction costs are included in the cost price.

**Provisions for other liabilities and charges**

Provisions are recognised when the BW Offshore Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the BW Offshore Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

**Employee benefits***Defined benefit plans*

The BW Offshore Group has three defined pension schemes which are funded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

*Employee-leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

**Currency translation***Functional and presentation currency*

Items included in the financial statements of each entity in the BW Offshore Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Every subsidiary has United States Dollars ("USD") as functional currency, but some minor costs in local currency. Translation differences are thus immaterial and not disclosed in the equity statement. The consolidated financial statements are presented in USD.

*Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Taxes and deferred tax liabilities**

The Company is not subject to any taxation. However, some of its subsidiaries are subject to income tax in the countries in which they operate. The BW Offshore Group provides for tax on profit on the basis of the profit for financial reporting purposes, adjusted for non-taxable revenue and expenses. Income tax expense represents the sum of the tax currently payable and deferred tax.

The BW Offshore Group's liability for current tax payable is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided for in the balance sheet and calculated on the basis of temporary differences between book and tax values that exist at the end of the financial period. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the BW Offshore Group intends to settle its current tax assets and liabilities on a net basis.

### **Share capital**

Ordinary shares are classified as equity.

### **Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the BW Offshore Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### **6.4 Auditor**

PricewaterhouseCoopers, Bermuda, has been the auditor for BW Group for all accounting periods, and PricewaterhouseCoopers AS has been the auditor for BW Offshore from the date of formation of the Company, 7 June 2005. PricewaterhouseCoopers AS has its registered address at Karenslyst allé 12, N-0245 Oslo, Norway.

PricewaterhouseCoopers AS has issued an unqualified auditor's report for the Company's annual accounts for the financial year 2005.

The Company's Norwegian auditor is member of The Norwegian Institute of Public Accountants.

## 7 OPERATING AND FINANCIAL REVIEW

You should read the following discussion of the financial condition and results of operations in conjunction with the financial statements included in this Prospectus. The following discussion contains forward-looking statements that are based on current assumptions and estimates by the Company's management regarding future events and circumstances. The Company's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of many factors, including those described in chapter 2 "Risk factors".

### 7.1 Information on Financial Condition and Operating Results

BW Offshore is a leading independent provider of FPSO services. As of the date of this Prospectus, the Company owns a fleet of five FPSOs, one Arctic FSO, one ULCC conversion candidate, one Suezmax conversion candidate and one LPG conversion candidate, as illustrated in the table below:

**Table 7-1: BW Offshore Group's current fleet**

Name of unit	Country of operation	Employed from – to
<b>FPSOs</b>		
Berge Okoloba Toru	Nigeria	2005 – 2009 and options
Sendje Berge	Nigeria	2005 – 2009 and options
Berge Helene	Mauritania	2006 – 2013 and options
YUUM K'AK'NAAB	Mexico	2007 – 2022
BW Endeavour	Nigeria	2007 – 2010 and options
<b>Arctic FSO</b>		
Belokamenka	Russia	2004 – 2019
<b>Conversion candidates</b>		
BW Nisa (ULCC)	Malaysia	2006 – Temporary FSO
BW Pioneer (Suezmax)	-	Uncommitted
BW LPG FPSO I	-	Uncommitted
BW Carmen (ex. Crystal Sea)	-	Uncommitted

The Company has expanded its business by winning new contracts and as such invested in new projects. The Company currently has four units in operations generating revenues. In addition, two units (YUUM K'AK'NAAB and BW Endeavour) are under conversion to be delivered to the client in 2007. Furthermore, one unit (BW Nisa) is on a temporary FSO contract in Malaysia, a contract that can be terminated at the Company's convenience when an FPSO contract has been awarded. BW Pioneer was delivered to the Company in January 2007. BW Offshore currently has the BW Nisa (323,000 Dwt), the BW Pioneer (155,000 Dwt) and BW LPG FPSO I available for future oil/gas FPSO projects.

In May 2005, BW Offshore entered into a strategic cooperation with Malaysian International Shipping Corporation (MISC), a subsidiary of Petronas, the Malaysian state-owned oil company. The main objective of this cooperation is to develop gas FPSOs to be applied on the Malaysian shelf. BW Offshore has recently set up a representative office in Kuala Lumpur in support of the cooperation.

The FPSO market is developing positively with increasing demand, driven by increased E&P spending by oil companies, in particular in deep waters and remote locations. The current levels of tendering, oil company E&P spending and activity in other oil service business segments lying in the earlier part of the industrial cycle, indicate that the level of activity experienced in 2005 and 2006 may continue over the next couple of years. The Company has expanded its in-house capacity in order to participate in the anticipated growth in the market.

#### 7.1.1 Basis for presentation of the Combined and Consolidated Financial Information

BW Limited became the ultimate parent company of the FPSOs and FSOs currently owned by the BW Offshore Group in January 2004, BW Limited and its subsidiaries are referred to herein as the "BW Group". The Company was established in Bermuda in June 2005 as a wholly owned subsidiary of the BW Group, to serve as the holding company for the activities within the offshore segment of the BW

Group. In the second half of 2005, the Company purchased four offshore units and two tankers available for conversion to offshore units, from BW Gas ASA ("BW Gas"), an entity under common control within the BW Group, through six single purpose subsidiaries. The following units were purchased through funding from BW Group: (i) Sendje Berge, (ii) Berge Helene, (iii) Berge Okoloba Toru, (iv) Belokamenka, (v) YÙUM K'AK'NÀAB (ex. BW Enterprise and Folk Moon) and (vi) BW Nisa (ex. Folk Sea). The Company also established a management company, BW Offshore AS. Personnel related to the offshore business were transferred from BW Gas to the BW Offshore Group. The sale of the units and the transfer of the management operations ("the Transaction") were carried out at estimated fair value. All assets and operations transferred are managed collectively and constitute a business that is under the same ultimate ownership both before and after the transaction. Therefore, under IFRS, the Transaction is accounted for in a manner similar to pooling-of-interests in which the predecessor book values in the historical financial statements are also the values used prospectively. Accordingly, the difference between fair value of the business implied in the Transaction and the predecessor book values is presented as a distribution to BW Limited. The combined and consolidated income statements, balance sheets, statements of changes in equity and cash flows statements are presented as if the current group structure has been in existence from the earliest period presented. The predecessor values are brought from the consolidated financial statements of BW Limited.

In the combined and consolidated financial statements, each unit is included either from January 2004, when BW Limited became the ultimate parent company, or the date the unit was transferred from another segment within the BW Group to the offshore segment, where it was managed within this segment either as a FSO or FPSO or as a vessel available for conversion, whichever is the earliest date. Units sold during 2004 and 2005 have been included up to the date of sale and accounted for as disposition of asset upon sale. One unit, Berge Troll, was removed from the offshore segment, but is included up to the date of formation of the BW Offshore Group in June 2005 and accounted for as distribution of capital to the shareholder with USD 4,421,000.

#### 7.1.2 *Factors affecting results of operations*

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

- (i) **Business development of new projects:** The most important measure in business development of new projects is the number of new contracts for FPSOs.
  - Number of new contracts for FPSOs: BW Offshore defines the number of new contracts as the number of binding contracts for the service of a new FPSO or redeployment of the existing units on new contracts with existing customers or new customers.
  - Number of owned units: BW Offshore defines the number of owned units as the number of units owned and in operation on contracts, under conversion or temporarily idle awaiting new contract.
- (ii) **Project execution:** The most important measures in project execution are the project investment budget and the project schedule.
  - **Conversion of vessels to FPSO/FSOs:** As the FPSO/FSO contracts are based on specific dates of delivery and fixed prices, the profitability of BW Offshore may be influenced by delays or cost overruns of the conversion project. Any delays or cost overruns directly caused by the sub-contractors may be passed on to the sub-contractors depending on the complexity and specification of the delivery.
- (iii) **Operation of projects:** The most important measures in operation of projects are the operational budget and uptime, i.e. available revenue generating days of the FPSO. Should the FPSO not meet its uptime target, the downtime will be deducted from the income.
  - **Charter hire:** BW Offshore defines charter hire as the income from its time charters for owned and partly owned units. Charter hire is calculated as gross freight income net of broker commissions, if any.
  - **Construction contract revenue:** The lease contract with PEMEX is defined as a financial lease contract according to IAS 17. The vessel will be delivered to the customer in April



2007 and the recognition of income and expenses with regards to this contract is accounted for by using IAS 12 Construction contracts. As such project expenses are recognised in profit and loss when these occur. Revenue related to the contract is recognised only to the extent of expenses incurred.

- **Lease interest:** BW Offshore defines lease interest as the income from its bare boat charters for owned and partly owned units.
- **Operating expenses:** BW Offshore defines operating expenses as all operating expenses, such as operations, maintenance, manning, insurance, agency fees and allocated administration expenses for owned units on time charters, excluding bare boat units, per calendar day.
- **Technical off-hire:** BW Offshore defines technical off-hire as the time lost due to off-hire days associated with major repairs, dry-dockings or special or intermediate surveys. Technical off-hire per unit applies only for units on Time charters.

### Operating revenue

The Company's operating revenue is earned from revenue received from long term time charters for FPSO units and one arctic FSO and management fee received from managing one FPSO owned by one field operator.

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

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

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

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

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

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

**Salaries, social security and pensions**

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

In 2004 and 2005, approximately 68% and 65%, respectively, of the total salary and related expenses were dominated in NOK. As a result, depreciation of the USD against the NOK has a negative effect on BW Offshore's profitability.

BW Offshore is exposed to potential increases in salaries for the officers of all nationalities. Stringent customer requirements for competence and experience of FPSO officers and process personnel may make it difficult to expand the available pool of FPSO personnel in an increasing demand for FPSO services.

**Other operating expenses**

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

**Depreciation**

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

**Foreign exchange fluctuations**

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

*7.1.3 Critical accounting policies*

For a description of the BW Offshore Group's accounting policies, see section 8.3 "Summary of accounting policies".

*7.1.4 Comparison of nine months ended 30 September 2006 and 2005*

The discussion below describes how the key business drivers have affected the Company's results of operations for the nine months ended 30 September 2006 compared to the nine months ended 30 September 2005.

**Operating revenue***Charter hire*

BW Offshore's revenue derived from charter hire increased by USD 41.1 million to USD 75.7 million for the nine months ended 30 September 2006 compared to USD 34.6 million for the nine months ended 30 September 2005. The increase was primarily attributable to increased activity with additional units operating. Four units were in operation as of 30 September 2006 compared to two units as of 30 September 2005.

The first nine months of 2005 comprise of revenue from Sendje Berge which was in operation as from 15 February 2005, Okoloba Toru which commenced operations in April 2005, and Berge Troll.

The first nine months of 2006 revenue includes charter hire for Berge Helene which commenced operations at 24 February 2006, and Sendje Berge and Okoloba Toru throughout the whole period. In addition BW Nisa commenced operations on a FSO contract from May 2006.

*Lease interest*

BW Offshore's revenue derived from lease interest is related to the lease of the FSO Belokamenka.

*Construction contract revenue*

In 2Q 2006 the accounting treatment of the PEMEX contract was concluded, resulting in a reclassification of the contract as a financial lease contract. Project costs related to the conversion of the FPSO are recognized in profit and loss according to IAS 11 (Construction contracts). Revenue related to the contract is recognized only to the extent of contract costs incurred. As per 30 September 2006 recognized revenue amounts to USD 247.2 million.

**Operating expenses***Administrative expenses*

Administrative expenses include salaries etc to office employees and all other expenses that are not attributable to the operation of the Company's FPSOs and FSOs. Total administrative expenses amounted to USD 16.4 million in the first nine months of 2006 compared to USD 4.9 million in the corresponding period in 2005. The increase was primarily attributable to higher total number of people onboard, which is a result of an increased number of FPSO units in the fleet, increased wage costs in general, expenses related to the establishment of the Employee Stock Owning Programme, expenses with regards to the listing of the Company on Oslo Børs and increased number of consultants engaged.

*Operating expenses*

Operating expenses includes offshore crew and all other expenses related to the operation of the FPSOs and FSOs. Total operating expenses were USD 31.4 million in the first nine months of 2006 compared to USD 18.4 million in the corresponding period in 2005. The increase was mainly attributable to the increase numbers of FPSOs in operation.

**Depreciation and amortization**

BW Offshore's depreciation charges increased the first nine months of 2006 (USD 21.1 million) compared to first nine months of 2005 (USD 5.1 million). The change is due to the number and value of units in operation in the respective years.

**Operating profit before depreciations (EBITDA)**

The BW Offshore Group's EBITDA is USD 31.5 million in the first nine months of 2006 compared to USD 15.3 million in the corresponding period of 2005.

**Operating Profit (EBIT)**

BW Offshore's operating profit increased by USD 0.2 million to USD 10.4 million for the first nine months of 2006 compared to USD 10.2 million for the first nine months of 2005. The increase in operating profit in 2006 was primarily attributable to increased activity with additional units in operation but reduced by non-recurring costs (primarily listing expenses) mentioned above.

**Currency exchange gain (loss) – net**

Currency exchange losses were USD 1.0 million in first nine months of 2006 compared to a gain of USD 4.3 million in the corresponding period of 2005. The gain in 2005 is related to net borrowings held in NOK when the offshore operations were still included in BW Gas until autumn 2005.

As part of BW Group, the Company has taken part in the BW Group's currency risk management. The losses in 2006 relate to trade payables in other currencies than USD in conversion projects and pension liabilities denominated in NOK. The gains and losses related to these payables has, effective from 1 July 2006, been classified under "Operating expenses".

Transactions in NOK reflect a temporary currency risk that will be sought mitigated in the Company's future currency strategy.

**Fair value gains on financial instruments**

Net gain on changes in fair value of financial instruments are recorded at profit and loss and amounted to USD 3.3 million in the first nine months of 2006. No financial instruments were entered into by the Group in 2005. The fair value gain in 2006 is related to a CIRR-option in its entirety.

**Interest income and expenses**

Net interest expense (interest income less interest income) in first three quarters 2006 was USD 6.9 million compared to a net interest income of USD 3.4 million in the corresponding period in 2005. The reduction is due to the increase of the number of units in operations.

**Income tax expense**

The tax expense increased by USD 3.0 million to USD 4.8 million in the first nine months of 2006. The BW Offshore Group is subject to taxation in the various countries in which it operates. The increase is due to increased activity in which the BW Offshore Group is paying withholding taxes in the countries of operations regardless of whether the operations are profitable due to the fact that the taxation is based on a deemed profit.

**Net profit**

Based on the operating profit as discussed above, the net profit decreased by USD 8.2 million to USD 1.0 million for the first nine months of 2006 compared to a profit of USD 9.2 million in the first nine months of 2005. Increased net interest expenses, currency losses, taxes and administrative expenses are the main reason for the decrease in net profit.

**Equity and borrowings**

As of 30 September 2006, BW Offshore has a net equity of USD 383.4 million at compared to equity of negative USD 61.9 million at 30 September 2005. The reason for the positive development in equity was the issuing of new equity in April and May 2006, For further information see section 7.2 "Significant changes in the Company's financial or trading position since 30 September 2006", section 8.3 "Capitalisation and indebtedness", the Company's interim report attached as Appendix II to this Prospectus, and elsewhere in this Prospectus.

Capital expenditure related to the purchase of the FPSO BW Pioneer, which is a candidate for further upgrade for a new potential contract, and the ongoing conversion of BW Endeavour and YÙUM K'AK'NÁAB, which is committed and accordingly not recognized in the financial statements as of 30 September 2006, is USD 186 million.

*7.1.5 Comparison of years ended 31 December 2005 and 2004*

The discussion below describes how the key business drivers have affected the Company's results of operations for the year ended 31 December 2005 compared to the year ended 31 December 2004.

**Operating revenue***Charter hire*

BW Offshore's revenue derived from charter hire increased by USD 15.5 million to USD 46.2 million for 2005 compared to USD 30.7 million for 2004. The increase was primarily attributable to increased activity with additional units operating.

The revenues for 2004 were related to the operation of Sendje Ceiba for 6 months and Berge Helene for four months as an FSO and Berge Troll for the whole year. For 2005, Berge Helene is undergoing conversion and Berge Troll is distributed to BW Limited in August. Berge Okoloba Toru was in operation from February and Sendje Berge from April throughout the year.

*Lease interest*

BW Offshore's revenue derived from lease interest was steady at USD 4.9 million in both 2005 and 2004. The revenue is related to the lease of the FSO Belokamenka.

**Operating expenses***Wage cost*

The salaries, social security and pensions were USD 8.4 million in 2005 compared to USD 6.8 million in 2004. The increase was primarily attributable to higher manning, which is a result of an increased number of FPSO units in the fleet.

*Other operating expenses*

Other operating expenses were USD 27.9 million in 2005 compared to USD 21.8 million in 2004. The increase was mainly attributable to the increase in the FPSO fleet.

**Depreciation and amortization**

BW Offshore's depreciation charges decreased in 2005 (USD 8.4 million) compared to 2004 (USD 8.9 million). The change is due to the number and value of units in operation in the respective years.

**Net gain on sale of tangible fixed assets**

The net gain on sale in 2004 was USD 7.7 million related to the sale of Sendje Ceiba. There was no sale of units in 2005.

**Operating profit before depreciations (EBITDA)**

The BW Offshore Group's EBITDA was USD 14.7 million in 2005 compared to USD 14.7 million in 2004.

**Operating Profit (EBIT)**

BW Offshore's operating profit increased by USD 0.5 million to USD 6.3 million for 2005 compared to USD 5.8 million for 2004. The increase in operating profit in 2005 was primarily attributable to increase in number of FPSOs in the fleet

**Currency exchange gain (loss) – net**

Currency exchange gains were USD 4.8 million in 2005 compared to a loss of USD 4.5 million in 2004. A significant part for both periods is related to net borrowings held in NOK when the offshore operations were still included in BW Gas until autumn 2005.

**Interest income and expenses**

Net interest expense in 2005 was USD 5.3 million compared to USD 0.8 million in 2004.

The increase is due to an increase in the number of FPSO units in operations and in the total construction value financed the respective years.

**Income tax expense**

The tax expense increased by USD 1.6 million to USD 2.9 million in 2005. Of the increase, USD 1.5 million is related to taxes in countries of operation, and USD 0.1 million is related to tax expense in Norway from the management company.

**Net profit**

Based on the operating profit as discussed above and the effect of foreign exchange and net interest expenses, the net profit increased by USD 3.7 million to USD 2.9 million for 2005 compared to a loss of USD 0.8 million in 2004.

**Equity and borrowings**

As of 31 December 2005, BW Offshore has net liabilities and significant capital commitments. The negative equity position was minus USD 85.5 million at 31 December 2005, compared to equity of positive USD 70.5 million at 31 December 2004. The reason for the negative development in equity was a cash distribution to the owner of USD 154.5 and assets of USD 4.4 million in connection with the formation of BW Offshore in 2005. As of 31 December 2005, borrowings consisted of short term debt from BW Limited in the total amount of USD 508.3 million. The Company has taken measures during second quarter 2006 to ensure that its capital structure going forward is deemed satisfactory. For further information see section 7.2 "Significant changes in the Company's financial or trading

position since 30 September 2006", section 8.3 "Capitalisation and indebtedness", the Company's interim report attached as Appendix II to this Prospectus, and elsewhere in this Prospectus.

Capital expenditure commitments related to two conversion projects contracted, but not recognized in the financial statements as of 31 December 2005, is USD 344.6 million.

## **7.2 Significant Changes in the Company's Financial or Trading Position since 30 September 2006**

BW Offshore has not experienced any other changes or trends outside the ordinary course of business that are significant to the Company after 30 September 2006 and to the date of this Prospectus, other than those described below and elsewhere in this Prospectus.

- BW Offshore signed a contract on 16 October 2006 with Peak Petroleum Industries Nigeria Ltd and Equator Exploration Ltd ("Peak and Equator") for the services of an FPSO at the Bilabri Field, located in Block OML 122, offshore Nigeria. BW Offshore will use the FPSO BW Endeavour, to be renamed BW Peace, for the services and operations. The terms and provisions of the contract are the lease and operation of a FPSO for a fixed period of 3 years with Peak and Equator having an option to extend the contract for up to a total of 10 years. The operation on the Bilabri field is planned to commence during second half of 2007. The hire rate will consist of a fixed day rate plus a production incentive rate.
- On 15 January 2007 the Company acquired 12,257,085 shares in Prosafe ASA. To finance the acquisition, BW Offshore conducted the Private Placement as described in chapter 5.
- On 18 January 2007 BW Offshore entered into an option agreement with BW Euroholdings Limited to acquire 39,675,905 shares in Prosafe ASA as described in section 13.12. Since BW Offshore has the right to exercise the option at its sole discretion, BW Offshore controls a total of 22.6% of the shares in Prosafe ASA and has as such significant influence in Prosafe ASA. Accordingly the investment in Prosafe is going to be accounted for as an associated company in BW Offshore's consolidated accounts.
- On 5 February 2007 BW Offshore acquired 4,415,000 shares in APL ASA, equal to 10.1% of the shares and votes of APL ASA. As consideration BW Offshore issued 10,566,148 New Shares, resulting in an exchange ratio of approximately 2.39 BW Offshore shares for each APL ASA share. BW Offshore invited APL ASA to discuss a friendly merger.
- On 21 February 2007 the boards of BW Offshore and APL ASA announced that they had agreed to recommend to their shareholders a combination of the two companies, creating a major force in the global FPSO market with a strong platform for future growth. BW Offshore will be the acquiring entity. The combination will be executed as a voluntary offer in which APL shareholders are offered a choice between (i) NOK 85 per APL ASA share; or (ii) 3.0249 BW Offshore shares per APL ASA share. The offer will in aggregate be limited to 40% cash settlement. If all APL ASA shareholders accept the exchange offer with settlement in BWO shares, then APL ASA will hold approximately 31% and BW Offshore shareholders will hold approximately 69% of the combined company. APL ASA's CEO, CFO and Board members have given pre-acceptances to the offer. The offer document will be distributed as soon as practicable possible after it has been approved by Oslo Børs. APL will remain as a separate brand name and APL will be a subsidiary of BW Offshore after the completion of the combination.
- On 22 February the Company announced that it had acquired Crystal Sea FPSO for a purchase price of USD 80 million. The Company paid USD 60 million of the purchase price in cash and conducted the Crystal Sea Share Issue, see section 5.3, as settlement for part of the purchase price corresponding to USD 20 million. The name of the vessel has been changed to BW Carmen. The purchase contract included an indemnification from the previous owner for any intervention and claims originating from the time when the FPSO was owned by the previous owner.

## **8 CAPITAL RESOURCES**

### **8.1 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 600 million from a syndicate of banks. The Company's main uses of funds have been capital expenditures for the acquisitions of FPSO units, second hand hulls suitable for conversion, conversion costs, unit operating costs and administration of the Company. BW Offshore will require capital to fund ongoing operations, the conversion of the units under construction and planned conversions, debt service and potential acquisitions. BW Offshore anticipates that by taking into account generally expected market conditions, internally generated cash flow, current cash position and borrowings under the unsecured, revolving credit facility, the funds will be sufficient to fund operations of the Company's fleet, committed capital expenditures on existing conversion contracts and one or two new projects, depending on the project size, including the Company's working capital requirements.

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

The funding of the Company is described in detail in sections 8.3 "Capitalisation and indebtedness" and 8.4 "Borrowings".

The Company's cash flow from operating activities in 2005 amounted to USD 45.0 million compared to negative USD 20.9 million in 2004. The increase resulted mainly from the increase in number of units in operation in 2005 compared to 2004. Cash flow from operations in the first nine months of 2006 was negative USD 10.5 million as compared to positive USD 21 million in the first nine months of 2005. The decrease resulted mainly from payment of trade payables related to conversion of Berge Helene which was ready for operation in February 2006.

The Company's cash flow from investing activities in 2005 amounted to negative USD 242.2 million compared to negative USD 28.7 million in 2004. The decrease resulted mainly from the conversion of Berge Helene, Sendje Berge and BW Enterprise in 2005, and was partly offset by the sale of Sendje Ceiba in 2004. Cash flow from investing activities in the first nine months of 2006 was negative USD 259.1 million as compared to negative USD 90.9 million in the first nine months of 2005. The decrease resulted mainly from the on-going conversion of BW Enterprise.

For further information regarding the Company's capital expenditures, see section 8.5 "Investments".

As of 31 December 2005 and 2004, cash and cash equivalents amounted to USD 36.7 million and USD 32.4 million, respectively. The Company's cash and cash equivalents at 30 September 2006 was USD 116.6 million, compared to USD 32.5 million at 30 September 2005.

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

In the past, the Company's hedging policy has been formulated on the BW Group level, using forward contracts and options in order to minimize negative impact caused by exchange rate volatility. The Company has established its own hedging policy with regards to mitigating exposure to foreign exchange risk and interest risk. The Company will, at time of signing a conversion contract, purchase

all future foreign currency requirements, other than USD, in the conversion project. BW Offshore will also hedge some of its NOK administration costs by buying forward NOK against USD.

## 8.2 Working Capital Statement

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

## 8.3 Capitalisation and Indebtedness

The following table shows the Company's actual capitalisation as of 30 September 2006, and as adjusted to reflect the refinancing activities taking place since 30 September 2006 and up to the date of this Prospectus. The numbers have not been audited. For further information see section 7.2 "Significant changes in the Company's financial or trading position since 30 September 2006", the Company's interim report attached as Appendix II to this Prospectus, and elsewhere in this Prospectus.

<b>Table 8-1: Statement of capitalisation and indebtedness BW Offshore Group</b>			
	<b>As at 30 September 2006</b>	<b>Adjustments</b>	<b>BW Offshore as adjusted</b>
<b>USD million</b>	<b>Actual</b>		
	<b>Unaudited</b>		<b>Unaudited</b>
Amount due to ultimate holding corporation (unsecured)	0.0		0.0
<b>A. Current financial debt (unguaranteed/unsecured)</b>	<b>0.0</b>		<b>0.0</b>
Borrowings (unsecured) **)	400.0	145.0	545.0
<b>B. Total non-current debt (unsecured)</b>	<b>400.0</b>	<b>145.0</b>	<b>545.0</b>
<b>C. Other liabilities*</b>	<b>60.9</b>		<b>60.9</b>
Share capital	2.1	0.4	2.5
Share premium reserve	465.9	192.2	658.1
Retained earnings	-84.6		-84.6
Other equity	0.0		0.0
<b>D. Total shareholders' equity ****)</b>	<b>383.4</b>	<b>192.6</b>	<b>576.0</b>
<b>E. Total equity and liabilities (A+B+C+D)</b>	<b>840.7</b>		<b>920.7</b>
Cash and cash equivalents	116.6		116.6
<b>F. Liquidity</b>	<b>116.6</b>		<b>116.6</b>
<b>G. Current trade and other receivables **</b>	<b>47.6</b>		<b>47.6</b>
<b>H. Net current indebtedness (A-F-G)</b>	<b>-164.2</b>		<b>-164.2</b>
<b>I. Non current financial indebtedness (B)</b>	<b>400.0</b>	<b>145.0</b>	<b>545.0</b>
<b>J. Net financial indebtedness (H+I)</b>	<b>235.8</b>	<b>145.0</b>	<b>380.8</b>
<b>Available undrawn amount of credit facility ***)</b>	<b>200.0</b>	<b>-85.0</b>	<b>115.0</b>

\*) Other liabilities include trade payables, other liabilities and charges, provisions, tax payables and retirement benefit obligations.

\*\*\*) The following items are adjusted for: Project receivable related to YÙUM K'AK'NÁAB is not included

\*\*\*\*) A total of USD 85.0 million has been drawn down on our credit facility in December 2006 and January 2007. In addition a total of USD 60 million was drawn down on a separate loan to finance the purchase of BW Carmen (ex. Crystal Sea), ref section 5.3.

\*\*\*\*\*) Total equity was increased by USD 172.6 million when a Private Placement was conducted in January 2007 to finance the acquisition of 12,257,085 shares in Prosafe ASA, ref section 5.1 - "The Private Placement". In addition total equity was increased by USD 20 million to finance the purchase of BW Carmen (ex. Crystal Sea), ref section 5.3.



## 8.4 Borrowings

BW Offshore accepted in July 2006 a fully committed and underwritten offer for a USD 600 million unsecured reducing revolver facility arranged by DnB NOR Bank ASA.

The facility has a term of six years. The facility is USD 600 million for a period of five years from the date of initial utilization at which time the facility will be reduced to USD 400 million. USD 485 million was be outstanding under the new facility by year-end 2006. See also section 8.3 "Capitalisation and indebtedness".

The ability to borrow amounts under the facility will be subject to the execution of customary documentation relating to the facility, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. The key financial covenants are as follows.

- (i) The book value of consolidated equity shall be minimum USD 300 million.
- (ii) The book value of BW Offshore's consolidated equity cannot fall below 35% of the book value of total consolidated assets.
- (iii) The ratio of total consolidated debt to consolidated adjusted EBITDA (including cash flow from lease interests) shall not exceed 6.0 (however so that this covenant shall be tested for the first time in 2007 when YÜUM K'AK'NÁAB (ex. BW Enterprise) under conversion has commenced on its contract).
- (iv) BW Offshore's ratio of total consolidated financial indebtedness to present value of the firm period of the contracts (discounted at a rate equal to 3 months LIBOR plus the applicable margin) shall not exceed 0.8.

The facility agreement contains a "change of control" clause, whereby BW Offshore (if the Lenders so require) shall mandatory prepay the facility and all commitments thereunder be terminated within 60 days in the event that BW Limited ceases to own (directly or indirectly) more than 50% of the shares and voting rights of BW Offshore and/or the Sohmen family interest ceases to own more than 50% of the shares and voting rights of BW Limited or BW Offshore.

The Company is not allowed to borrow amounts under the new credit facility if it does not comply with the financial covenants agreed in connection therewith or if it experiences a change of control without the consent of the lenders under the new facility. Interest on draw amounts will be payable at a rate of 0.975 basis points over the applicable LIBOR.

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

## 8.5 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 regarding the Company's capital expenditures related to the acquisition and upgrading/conversion of second-hand vessels and units and acquisition of vehicles/equipment for the periods indicated:

**Table 8-2: Historical capital expenditures BW Offshore Group**

	9 months ended 30 Sept.		Years ended 31 December,	
	2006	2005	2005	2004
	Unaudited	Audited	Audited	Audited
<b>Capital expenditures*</b>	<b>259.4</b>	<b>244.7</b>	<b>244.7</b>	<b>91.0</b>

\*) Capital expenditures related to the conversion of YÜUM K'AK'NÁAB amounts to USD 247.2 million as at 30 September 2006. These expenses are accounted for as Construction contract expenses in the income statement and is as such not included in "Vessels and vessels under construction in the balance sheet as at 30 September 2006.

On 15 January 2007, BW Offshore acquired 12,257,085 shares in Prosafe ASA at a price of NOK 86 per share. The acquisition was financed by the Private Placement, see section 5.1 – “The Private Placement”.

On 5 February 2007 BW Offshore acquired 4,415,000 shares in APL ASA for a consideration of 10,566,148 New Shares in BW Offshore, resulting in an exchange ratio of approximately 2.39 BW Offshore shares for each APL ASA share.

On 22 February 2007 BW Offshore acquired the vessel Crystal Sea FPSO for a purchase price of USD 80 million. USD 60 million was paid in cash and as settlement for part of the purchase price corresponding to USD 20 million BW Offshore issued 4,408,602 Shares to the seller. The issue price was NOK 27.90 per Share. The name of the vessel has been changed to BW Carmen.

The following table sets forth information on future committed capital expenditures for upgrading and capital expenditures for the conversion of the existing FPSO contracts and acquisitions of second-hand vessels and units, for which the Company has made firm commitments.

**Table 8-3: Future committed capital expenditures BW Offshore Group**

	<b>Instalments paid as of 30 Sept. 2006</b>	<b>Within one year</b>	<b>One to three years</b>	<b>Total instalments</b>
	<b>USD million (unaudited)</b>			
YÛUM K'AK'NÁAB	247.2	163.6	0.0	410.8
BW Endeavour	48.1	7.5	0.0	55.6
BW Pioneer	1.7	14.4	0.0	16.1
Other vessels	3.6	0.0	0.0	3.6
<b>Capital expenditures</b>	<b>300.6</b>	<b>185.5</b>	<b>0.0</b>	<b>486.1</b>

All remaining committed instalments under the existing conversion contracts and from vessel acquisitions are anticipated to be funded from cash flow from operations, the Company's current cash position and drawings from the new USD 600 million unsecured reducing revolver facility.

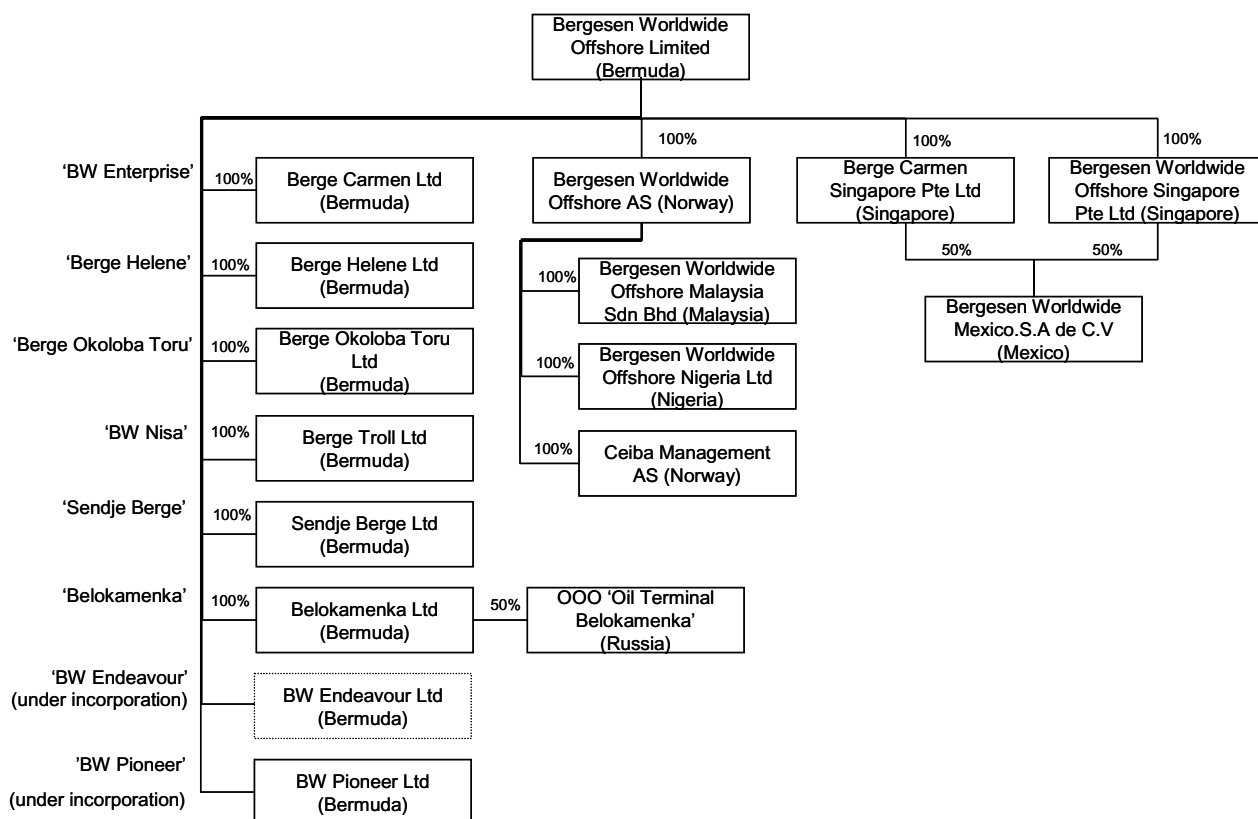
## 9 PRESENTATION OF BW OFFSHORE

BW Offshore is an international oil services company focused on the market for Floating Production Storage and Offloading. The Company's operations date back to a division established by Bergesen d.y. ASA in 1997. The BW Offshore Group has grown to become one of the global leaders in the FPSO market. The fleet currently includes five oil FPSOs, one LPG FPSO, one Arctic FSO, one ULCC conversion candidate, one Suezmax conversion candidate and one LPG conversion candidate.

### 9.1 Legal Structure of the BW Offshore Group

The chart below sets out the legal and corporate structure of the BW Offshore Group.

**Figure 9-1: Legal structure BW Offshore Group**



#### BW Offshore

BW Offshore was incorporated on 7 June 2005 in Bermuda as an exempted company of unlimited duration under the provisions of the BCA. The Company is a limited liability company, operating under the laws of Bermuda. The Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its registration number is 36937. The FPSO/FSOs are owned by Bermudan, wholly owned subsidiaries of BW Offshore.

#### BW Offshore AS

BW Offshore AS, a wholly owned subsidiary of the Company, is a management company operating out of Oslo, Norway. BW Offshore AS has entered into management agreements with the Company and its subsidiaries for the management and operations of the FPSO/FSOs as well as business development and project management. As of the date of this Prospectus, BW Offshore AS has 129 permanent employees, of which about 55 are engaged on the units offshore. In addition BW Offshore AS has approximately 110 consultants engaged in project organisations. The subsidiaries of BW Offshore AS holds no substantial assets and are involved in services in countries of operation. As a part of the BW Group, the Company has access to the BW Group's three recruitment centres for offshore/marine personnel. Through its three manning centres, in Latvia, India and the Philippines, the Company can

draw on a base of more than 3,000 people. BW Offshore AS has some 333 staff appointed from the manning centres working on the units offshore employed through the BW Group. BW Offshore AS is headed by CEO Svein Moxnes Harfjeld, and its registered address is Drammensveien 149, N-0212 Oslo, Norway. For an illustration of the organisational structure of the Company, please see section 11.2 "Management".

## 9.2 Global Presence

BW Offshore is active on a global basis. The Company is incorporated in Bermuda where the Board has its designation and the Company is domiciled. The Company's units are operating in arctic areas as well as the Gulf of Mexico and a number of West African countries. The BW Offshore Group's management company is located in Oslo, Norway. The Company has representative offices in Malaysia and Nigeria, and a site office is established in Singapore. It has manning centres, in Latvia, India and the Philippines, which provide service to companies in the BW group.

**Figure 9-2: BW Offshore presence**



## 9.3 History and Development of the Company

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

In 2003, the Sohmen family acquired BW Gas (previously named Bergesen d.y. ASA), thereby also acquiring BW Gas' offshore activities. In January 2004, BW Limited became the parent company of the BW Group. In June 2005, BW Limited announced its intention to restructure the business into separate stand-alone entities for gas, offshore, tanker and dry bulk within the BW Group. As part of this restructuring, BW Offshore was established in Bermuda in June 2005 as a wholly owned subsidiary of the BW Group to serve as the holding company for the activities within the offshore segment of the BW Group (previously held by BW Gas). The offshore business was separated through a purchase of the offshore units by the newly established group of single purpose companies wholly-owned by the Company. Also as part of the restructuring, the new management company, BW Offshore AS, was

established by the Company to manage the offshore units. Personnel related to the offshore business in BW Gas were transferred to BW Offshore AS.

In April 2006, BW Offshore carried out a private placement of 78,947,368 Shares totalling USD 300 million directed towards domestic and international institutional and professional investors. In a subsequent transaction in May 2006, BW Offshore conducted a private placement towards Spencer Energy of 6,118,421 Shares totalling USD 23.25 million. At the same time BW Offshore entered into an agreement with Spencer Energy to purchase the rights it has with Shell Todd to purchase the FPSO BW Endeavour (ex. Whakaaropai, to be renamed BW Peace).

The Shares were listed on Oslo Børs in May 2006. As at the date of this Prospectus, BW Limited holds 53.3% of the Shares.

#### 9.4 Track record

The Company has completed 11 unit conversions since the origin of its operations. All of these projects have been completed on time and on budget. An overview of the Company's projects is set out in the figure below.

**Figure 9-3: Historic and current projects and units**

Name	Type FPSO	Customer	Location	Start-up	Decommissioned	Comment
<b>HISTORICAL ACTIVITY</b>						
Berge Sisar	LPG FSO	Chevron	Cabinda, Angola	1982	1989	Replaced by Berge Troll.
Berge Troll	LPG FPSO	Chevron Texaco	Cabinda, Angola	1989	2005	Transferred to ultimate owner and sold in 2005 with delivery in 2006.
Navion Munin	Oil FPSO	Statoil	Lufeng, South China Sea	1997		Sold 2001.
Berge Hugin	Oil FPSO	Enterprise Oil	Pierce, North Sea	1999		Sold 2001.
Sendje Berge	Oil FPSO	Triton Energy	Ceiba, Equatorial Guinea	2000	2002	Replaced by Sendje Ceiba, modified and upgraded before relocated to Okwori, Nigeria.
Sendje Ceiba	Oil FPSO	Amerada Hess	Ceiba Field, Equatorial Guinea	2002		Sold 2004. Operations contract.
Berge Helene	Oil FPSO	Maersk Oil	Qatar	2004	2004	Temporary contract as FSO before converted and relocated to Chinguetti, Mauritania.
<b>CURRENT ACTIVITY</b>						
Belokamenka	Arctic FSO	Rosneft	Kola Bay, Russia	2004		In operation.
Sendje Berge	Oil FPSO	Addax	Okwori, Nigeria	2005		In operation.
Berge Okoloba Toru	LPG FPSO	Global	Bonny River, Nigeria	2005		In operation.
Berge Helene	Oil FPSO	Woodside	Chinguetti, Mauritania	2006		In operation.
YÜUM K'AK' NÁAB	Oil FPSO	Pemex	Ku-Maloob-Zaap, Mexico	2007		Project in progress.
BW Nisa	Oil FSO	Vitol	Malaysia	2006		Conversion candidate. Today on temporary contract as FSO.
BW Endeavour	Oil FPSO	Peak/Equator	Bilabri, Nigeria	2007		Project in progress
BW Pioneer	Suezmax	-	-	-	-	Delivered to the Company in January 2007. Conversion candidate.
BW Carmen	Oil FPSO	-	-	-	-	Acquired and delivered to the Company on 22 February 2007.

BW Offshore was the first company to operate an LPG FPSO with its operations in Angola from 1982. Later BW Offshore converted and installed the first and only Arctic Oil FSO (FSO Belokamenka). In

2005 BW Limited won a tender to build the first FPSO to operate in the Gulf of Mexico that will be subcontracted to BW Offshore, cf. section 9.7.4 "YÙUM K'AK'NÀAB (previously BW Enterprise)". The FPSO YÙUM K'AK'NÀAB will commence operations in Mexico in April 2007.

## 9.5 HSEQ

Health, safety, environment and quality ("HSEQ") are given a high priority in all parts of the Company's management, FPSOs and support service processes.

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

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

## 9.6 Business Goal and Strategy

BW Offshore' strategic goal as a stand-alone entity has been is to grow organically with two new FPSO contracts per year, subject to market conditions and to achieve a balanced portfolio of oil and LPG FPSOs, with a mix of lean and large scale projects and geographical versatility.

The Company will continue to enhance its core strengths;

- Have competent personnel in project execution and FPSO operations
- Focus on oil and gas FPSOs
- Mid to large scale projects
- Broad geographical presence (excl. the North Sea)

BW Offshore will focus on maximising shareholder values and will strive to obtain, for its projects, a return on investment at or above 12% and minimise residual risk. BW Offshore will actively consider consolidation opportunities if these are considered to be value enhancing for the Company's Shareholders.

## 9.7 Vessels and contracts

### 9.7.1 Overview

BW Offshore currently has the BW Nisa (323,000 Dwt), the BW Pioneer (155,000 Dwt) BW LPG FPSO I and the newly acquired BW Carmen (ex. Crystal Sea) FPSO available for future oil FPSO projects.

BW Offshore is through its link to the BW Group, able to use the BW Group as a source of conversion candidates, participate in leveraged purchasing, work with its recruitment centres, etc., on arms length terms.

The BW Offshore units have been moored in water depths up to 800 meters, and have operated with internal and external turrets as well as spread mooring systems. Topside oil processing capacities have ranged from 50,000 bbl/d to 200,000 bbl/d and water injection has been delivered both with and without sulphate removal. BW Offshore has delivered gas compression for gas lift and re-injection on three units to date.

BW Offshore entered into a strategic cooperation with Malaysian International Shipping Corporation (MISC), a subsidiary of Petronas, the Malaysian state owned oil company, in May 2005. The main objective of this cooperation is to develop gas FPSOs to be applied on the Malaysian shelf. BW Offshore has consequently set up a representative office in Kuala Lumpur in support of the cooperation.

With the exception of the conversion candidates and the newly acquired BW Carmen (ex. Crystal Sea) FPSO, all of BW Offshore's units are engaged on long-term contracts ranging from 4 to 15 years. The conversion hull BW Nisa is currently engaged on a temporary storage contract in Malaysia that can be terminated by the Company when the vessel is required to be converted for an FPSO project.

### 9.7.2 *Berge Helene*

**Figure 9-6: Berge Helene at the Chinguetti field offshore Mauritania**



#### Technical specifications

**Table 9-1: Technical specifications Berge Helene**

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

#### Contract with Woodside Petroleum

The generic FPSO Berge Helene arrived at the Chinguetti field offshore Mauritania in November 2005, operating for Woodside Petroleum for the client Woodside Mauritania Pty Ltd. The duration of the contract is seven years fixed and four two-year options from February 2006. In addition, Woodside Petroleum may prolong the fixed period for three years against a reduced annual cash flow. The client may at any time during the initial term cancel the contract at its discretion against paying to BW Offshore an early termination fee. Woodside Petroleum has a purchase option which can be exercised at any time during the contract period. The purchase price under the purchase option starts at USD 238.8 million (if it had been exercised at the start of the contract term) and ends at USD 30 million (14 years after start of the contract term).

### 9.7.3 *Sendje Berge*

**Figure 9-7: Sendje Berge at the Okwori field**



**Technical specifications**

**Table 9-2: Technical specifications Sendje Berge**

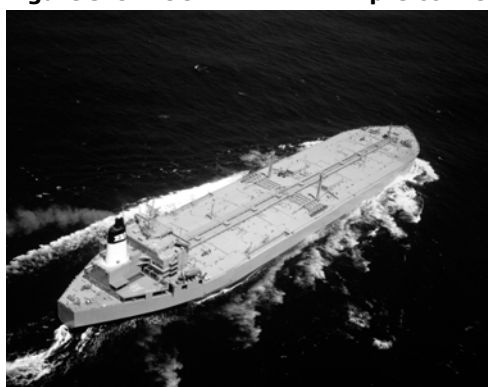
First oil:	February 2005
Liquid production capacity:	60,000 bbl/d
Oil production capacity:	50,000 bbl/d
Gas compression capacity:	55 mmscfd
Storage capacity:	2,000,000 bbl
Length overall:	349 meters
Breadth moulded:	52 meters
Depth moulded:	27 meters
Built year:	1974
Converted to FPSO year:	2000
Mooring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

**Contract with Addax Petroleum**

Generic FPSO Sendje Berge operates at the Okwori field offshore Nigeria for Addax Petroleum Exploration (Nigeria) Ltd. The contract duration is four years fixed and four years optional from March 2005. The client may at any time during the initial term cancel the contract at its discretion against paying to BW Offshore an early termination fee. Addax Petroleum has no option to purchase the vessel.

9.7.4 *YÙUM K'AK'NÁAB (previously BW Enterprise)*

**Figure 9-8: YÙUM K'AK'NÀAB pre conversion**



**Technical specifications**

**Table 9-3: Technical specifications YÙUM K'AK'NÀAB**

Oil production capacity:	200,000 bbl/d/processing capacity
Oil receiving capacity:	400,000 bbl/d
Gas compression capacity:	120 mmscfd



Storage capacity:	2,500,000 bbl
Length overall:	341 meters
Breadth moulded:	65 meters
Depth moulded:	32 meters
Built year:	1981
Converted to FPSO year:	2006
Mooring:	Turret
Water depth:	90
Main process supplier:	Kanfa
Design life:	Minimum 20 years from conversion
Class:	DNV
Flag:	Bermuda

### Contract with Pemex

YUUM K'AK'NÁAB will be situated at the Ku-Maalob-Zaap field offshore Mexico. The contract is entered into with Pemex Exploración Y Producción and the contract term starts in June 2007. The duration of the contract is 15 years fixed and option to extend for additional 3 years. The client may terminate the contract and claim damages if BW Offshore fails to demonstrate an acceptance test that the FPSO complies with all the operational guarantees within 180 days after the scheduled acceptance date or is otherwise in substantial breach as defined in the contract. After acceptance the client may at any time terminate the contract at its discretion, by (i) paying for the services rendered until the termination and (ii) exercising its purchase option. PEMEX has a right to purchase the unit after acceptance throughout the contract term at the discounted price on the exercise date.

The contract with Pemex was entered into by BW Limited and cannot be assigned to BW Offshore. BW Limited has entered into agreements with BW Offshore, subcontracting to the effect that BW Offshore delivering assets and services and receiving the financial benefit of the contract with Pemex. The agreements between BW Offshore and BW Limited are not regarded as an assignment of the contract with Pemex.

#### 9.7.5 Berge Okoloba Toru

**Figure 9-9: Berge Okoloba Toru at field**



### Technical specifications

**Table 9-4: Technical specifications Berge Okoloba Toru**

Storage capacity:	75,807 meters <sup>3</sup>
Length overall:	225 meters
Breadth moulded:	34 meters
Depth moulded:	22 meters
Built year:	1979
Converted to FPSO year:	2004
Mooring:	Spread
Water depth:	20 meters
Design life:	Minimum 15 years from conversion
Refrigerated storage:	71,000 meters <sup>3</sup>
Sub-cooling up to:	1,500 tons LPG/d
Stripper capacity of	800 tons C3/d, 700 tons C4+/d
Class:	DNV
Flag:	Bermuda

### Contract with Global Gas and Refining

Berge Okoloba Toru is moored in the Bonny River in the Cawthorne Channel and Awoba fields in Nigeria. The contract is entered into with Global Gas and Refining Limited ("Global") and started in May 2005. The duration of the contract is four years fixed and six years optional. The client may at any time during the initial term cancel the contract at its discretion against paying to BW Offshore an early termination fee. Global has an option to purchase the unit after three years of operation and at any time thereafter throughout the contract period, at prices starting at USD 76.6 million and ending at USD 5 million. Berge Okoloba Toru receives a gas stream from the onshore Shell terminal for further processing. The Shell terminal has temporarily been shut down due to terrorist acts by local militant groups. Global, the charterer of the Berge Okoloba Toru has served a notice of force majeure, which came into effect on 15 September 2006. BW Offshore has reasons to believe that operations on the Berge Okoloba Toru will start up again in the near future.

#### 9.7.6 Belokamenka

**Figure 9-10: Belokamenka on site**



### Technical specifications

**Table 9-5: Technical specifications Belokamenka**

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

### Ownership

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

### Contract

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

The contract for Belokamenka provides Rosneftflot with an option to purchase the unit from Oil Terminal Belokamenka Limited (of which BW Offshore owns 50%) after five years of operation and each month thereafter until 15 years of operation. The purchase price starts at USD 51.3 million and

ends at USD 0.3 million in year 15 ("Option 1"). Correspondingly, Oil Terminal Belokamenka Limited has a purchase option directed against Belokamenka Limited (of which BW Offshore owns 100%) to purchase the unit after five years in operation and each month thereafter until 15 years of operation. The purchase price starts at USD 28.4 million and ends at USD 0.0 in year15 ("Option 2"). In case of exercise, BW Offshore will receive 100% of the price of Option 2 and 50% of the difference between the price of Option 1 and the price of Option 2.

9.7.7 *BW Endeavour (to be renamed BW Peace)*

**Figure 9-11: BW Endeavour**



**Technical specifications**

**Table 9-6: Technical specifications BW Endeavour**

Oil production capacity:	40,000 bbl/d
Gas compression:	25.6 mmscfd gas lift
Storage capacity:	1,000,000 bbl
Length overall:	291 meters
Breadth moulded:	44 meters
Depth moulded:	23 meters
Built year:	1976
Converted to FPO year:	1996
Mooring:	Turret
Prepared for facilities upgrades	

**Contract with Peak Petroleum Industries Nigeria Ltd and Equator Exploration Ltd**

BW Offshore has signed a contract with Peak Petroleum Industries Nigeria Ltd and Equator Exploration Ltd (the "Companies") for the services of an FPSO at the Bilabri Field, located in Block OML 122, offshore Nigeria. BW Offshore will use the FPSO BW Endeavour, to be renamed BW Peace, for the services and operations.

The terms and provisions of the contract are the lease and operation of a FPSO for a fixed period of three years with the Companies' option to extend the contract for up to a total of 10 years. The operation on the Bilabri field is planned to commence during second half of 2007. The hire rate will consist of a fixed day rate plus a production incentive rate.

9.7.8 *BW Carmen (ex. Crystal Sea)*

**Figure 9-12: BW Carmen**



**Technical specifications**

**Table 9-7: Technical specifications BW Carmen**

Storage capacity:	50,000 bbl
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Oil production capacity:	40,000 bbl/day
Length overall:	101 meters
Breadth moulded:	21 meters
Depth moulded to shelterdeck:	11.5 meters
Built year:	1994
Mooring:	DP2
Class:	DNV
Flag:	Marshall Islands

BW Offshore acquired Crystal Sea FPSO on 22 February 2007 for USD 80 million. The vessel is expected to be employed on an undisclosed intended FPSO contract with commencement within 12 months. The purchase contract included an indemnification from the previous owner for any intervention and claims originating from the time when the FPSO was owned by the previous owner.

9.7.9 *BW Nisa*

**Figure 9-13: BW Nisa**



BW Nisa is a 1983 built ULCC of 323,000 Dwt. The vessel is earmarked as a conversion candidate for future FPSO projects.

BW Nisa is operating as FSO on temporary 18 months contract with Vitol in Malaysia. The contract term started in April 2006. The temporary contract can be cancelled by BW Offshore by providing a 180 days notice when the vessel is required to be converted for a FPSO project. The total contract value is USD 12.8 million.

9.7.10 *BW Pioneer*

**Figure 9-14: BW Pioneer**



BW Pioneer is a 1976 built Suezmax of 155,000 Dwt. The vessel was delivered to the Company in Singapore in January 2007. The vessel is earmarked as a conversion candidate for future FPSO projects.

9.7.11 *BW LPG FPSO I*

In response to the industry's need to apply alternatives to flaring associated gas, BW Offshore has acquired the LPG carrier Andean Gas as a conversion candidate and renamed her BW LPG FPSO I.

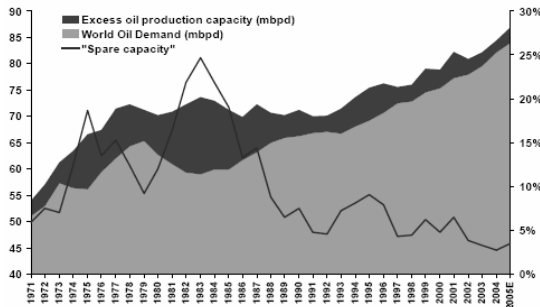
**10 BUSINESS AREAS AND MARKETS**

**10.1 Exploration and Production Spending**

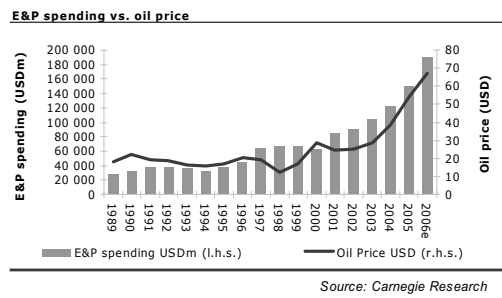
Oil companies spend resources in order to find, prove and develop hydrocarbon fields both onshore and offshore. The exploitation of offshore oil and gas fields require investment in production, storage, transportation and support infrastructure.

The key drivers in E&P spending are the oil companies' need to replace reserves and develop proven fields in order to realise value. The oil price has an impact on the oil companies' ability and desire to invest in E&P spending. There has historically been a correlation between the change in oil prices and the change in E&P spending, as illustrated below.

**Figure 10-1: Little spare production capacity is expected to increase E&P spending going forward**



**Figure 10-2: Global E&P spending vs. oil price (1989-2007e)**



Source: Carnegie Research

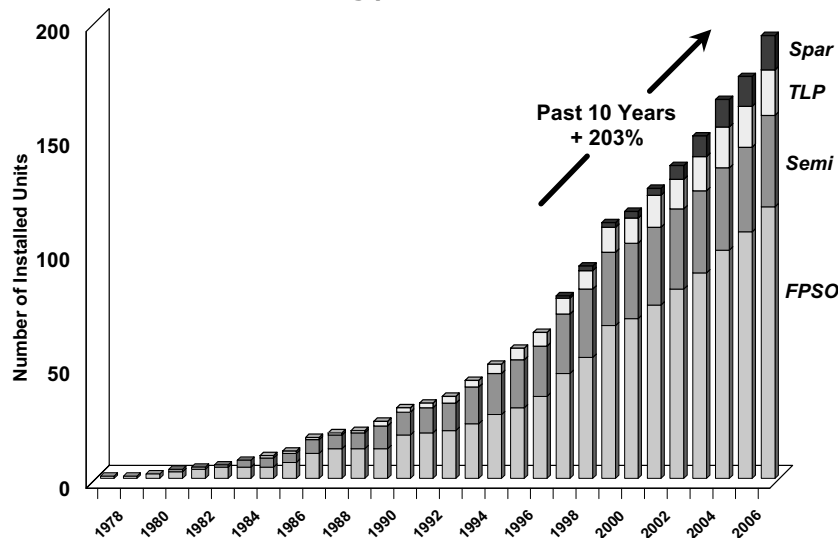
Source: BP, Carnegie Research, Evaluate Energy, company reports

**10.2 Offshore Production Market**

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

The market for floating production solutions has developed very positively over the last years, growing from 12 to 184 units over the last 20 years (excluding production barges).

**Figure 10-3: Number of installed floating production units world wide**



Source: International Maritime Associates, 2006

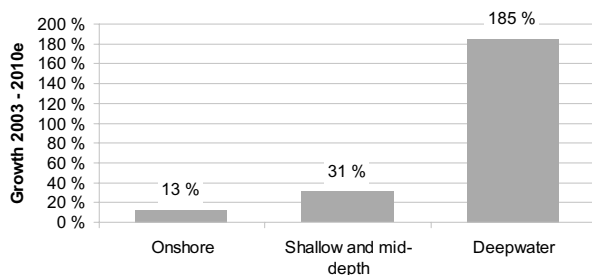
The floating production market can be roughly divided into four main segments:

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

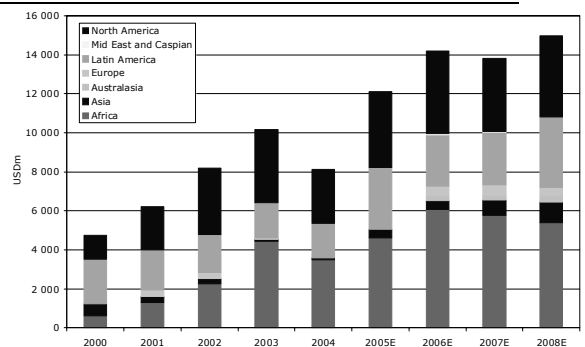
FPSO is the dominating solution, consisting of approximately 60% of the current fleet of 184 floating production units (excluding production barges), and approximately 74% of the current 58 units on order.

One of the main drivers of growth in the floating production market is the move to deepwater fields. One of the most prosperous areas for deepwater expenditure is expected to be in the West African region.

**Figure 10-4: Oil production is moving towards deepwater. Production growth from 2003-10**



**Figure 10-5: Average deepwater capital expenditure**

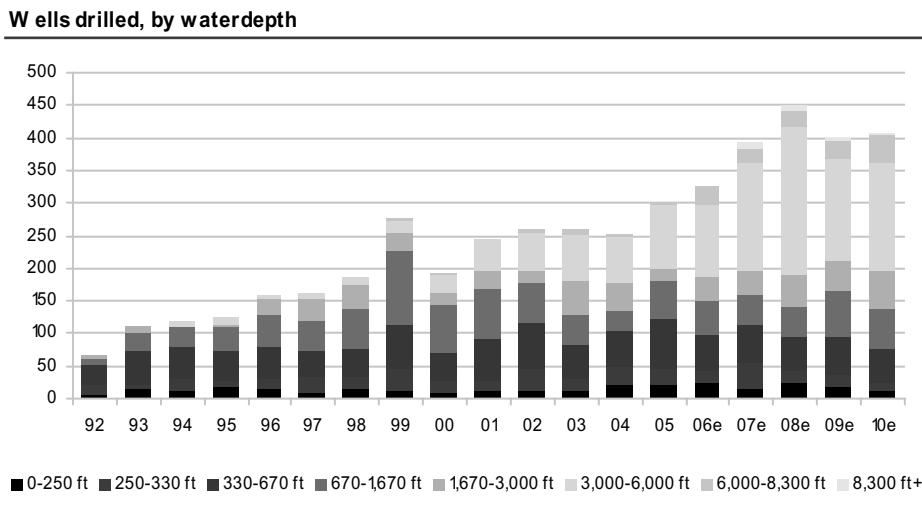


Source: Infield and Danske Equities

In the period 2003-2010 onshore production is expected to grow by 13% and shallow/mid water is expected to grow by 31%. In the same period offshore deepwater production (+500 meters water depth) is expected to grow by 183%. This trend is expected to continue further as future capital expenditure will be biased towards deepwater developments.

The expected growth in deepwater production can be further substantiated by an increasing number of deepwater wells drilled per year.

**Figure 10-6: Wells drilled, by water depth**

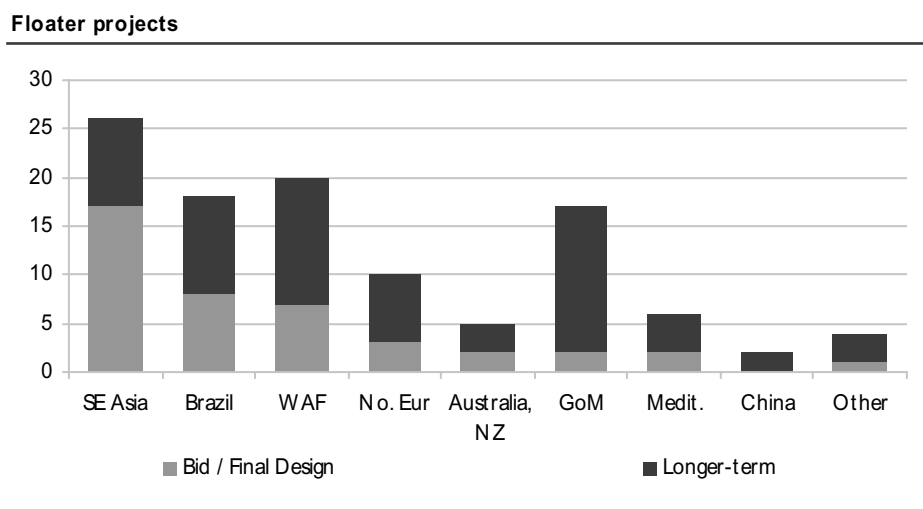


Source: Carnegie Research, Offshore Research

The floating production market is diversified, with different markets having different characteristics. The market is split between different geographic regions, environments, capital expenditure levels and customers.

International Maritime Associates Inc has identified 108 projects currently in the bidding, design or planning stage that would potentially require a floating production or storage system. If all of these projects were to materialise they would generate a requirement of 91 production floaters, 15 floating storage units and 7 floating regasification facilities. Of the 108 projects currently in the planning pipeline, 42 are in the bidding or final design stage and 66 projects are in a less mature stage of development. The main growth is expected to come from Southeast Asia, West Africa, Brazil and the Gulf of Mexico.

**Figure 10-7: Floater projects in the planning pipeline**

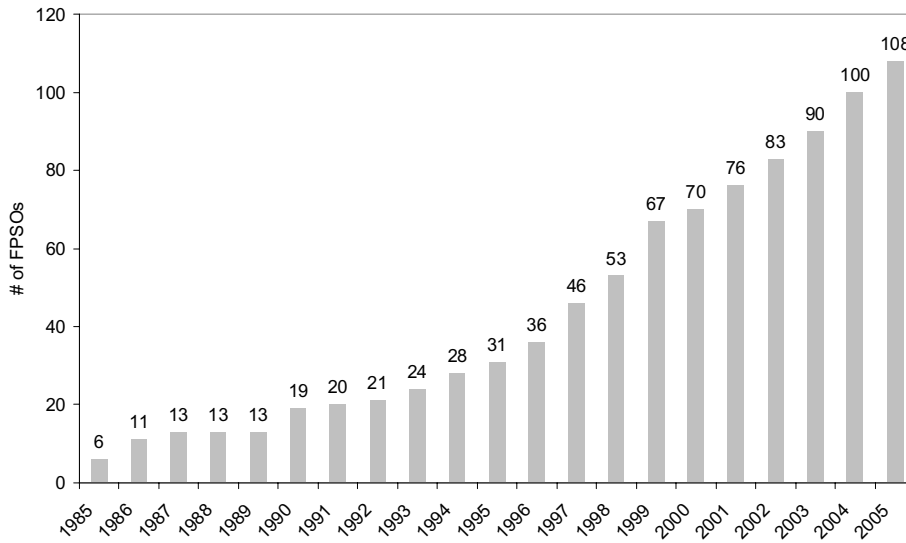


Source: Carnegie Research and International Maritime Associates

### 10.3 The FPSO Market

The first FPSO unit was installed in 1977 at the Castellon field in the Mediterranean. The market for FPSO solutions developed as a response to the oil companies' need for more flexible production solutions that could be quickly mobilised, required lower capital expenditures than fixed installations, had good storage capacity, could be deployed on deepwater fields, could be moved from one field to another and had low abandonment costs. The units are converted oil tankers with fitted topside production facilities and purpose built units with highly specialised functionality. By year end 2005 the total fleet in the market consisted of 108 FPSOs, and 32 FPSOs on order (14 new builds and 18 conversions).

**Figure 10-8: 20 year development of the worldwide FPSO fleet (no. of units by year end)**

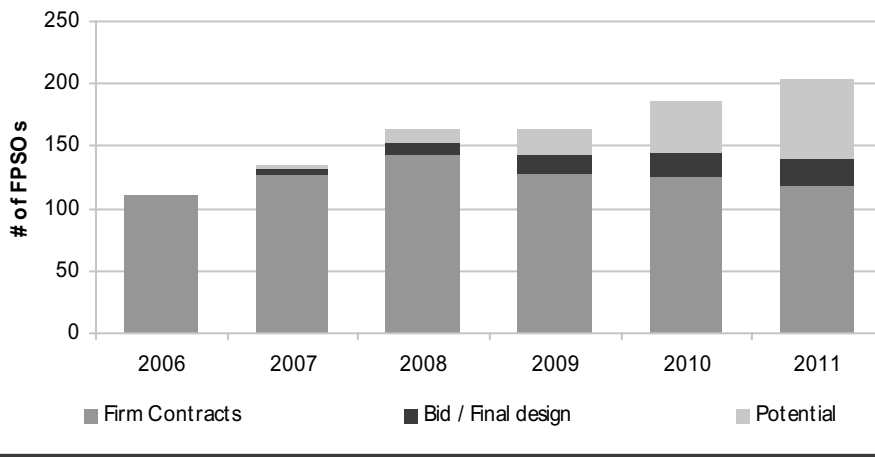


Source: International Maritime Associates 2006

The total number of FPSOs is expected to increase substantially over the next five year period, with a potential of around 200 FPSOs in the world by year end 2011.

**Figure 10-9: Forecasted development of the FPSO fleet going forward**

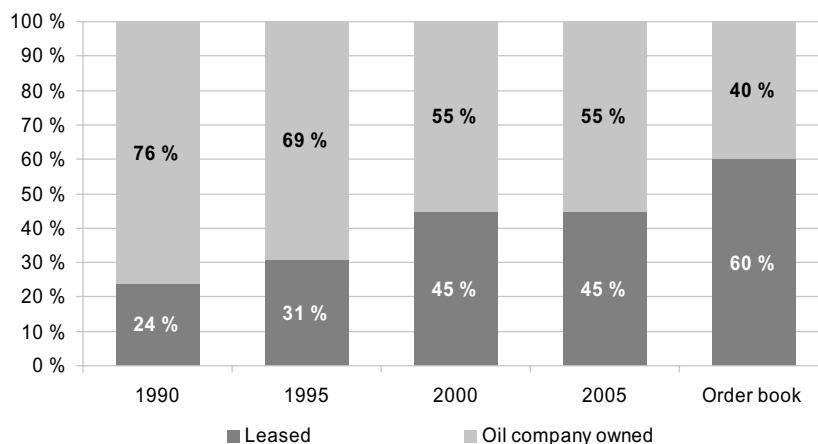
**FPSO fleet to reach 200 by 2011?**



Source: Carnegie Research



**Figure 10-10: Contracts increase market share – FPSOs split by ownership**



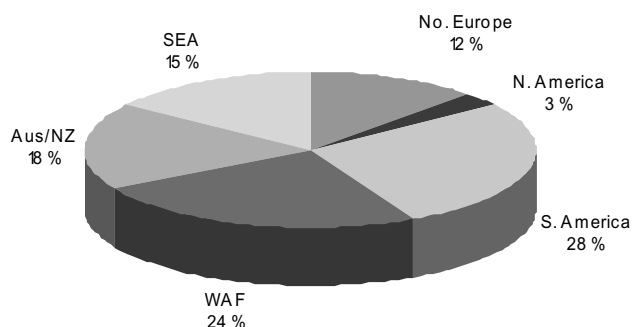
Source: Danske Equities

The FPSO market can be divided in two broad segments based on ownership model – the “sale market” and the “lease market”. The “sale market” is where the oil companies acquire and operate the FPSO. This is typically done for very high capital expenditure projects and/or for fields where the unit is expected to be deployed for more than 10 to 15 years. The “lease market” is where independent lease contractors own and operate the FPSO, and lease it to the field operators. This market is typically focused on the small to midsize FPSO projects or where the field life is expected to be shorter. Recent developments shows a trend from operator owned units towards contractor owned units, as the market for leased units has matured, focus on core business among oil companies has increased and smaller independent oil companies are more present in field developments. While 35% of the fleet in 1995 was operator owned, 60% of the units on order will be owned by the contractors.

Based on installations to date, Northern Europe, Asia Pacific and West Africa have been the dominant geographical regions. Going forward, the main growth is expected in the West African, Asia Pacific and South American regions.

**Figure 10-11: Current order book of FPSOs by geographic region**

FPSOs on order



Source: Carnegie Research, IMA

#### 10.4 LPG FPSO Market

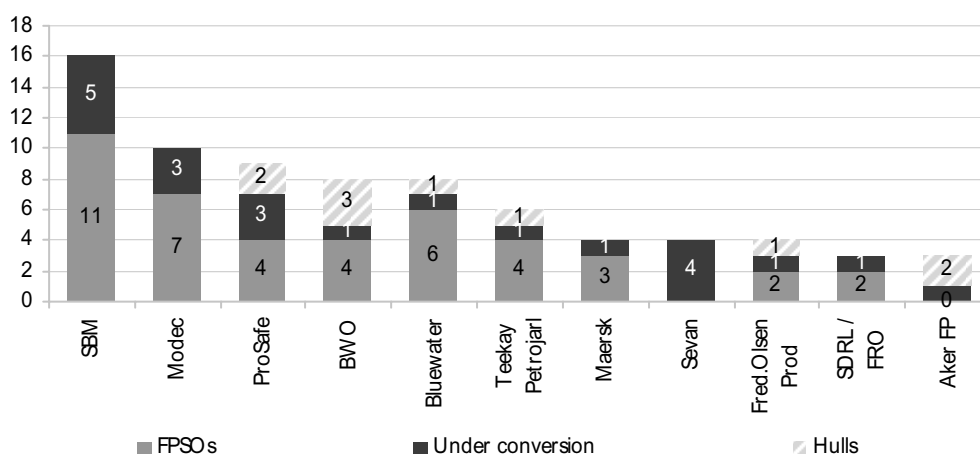
Currently the market for LPG FPSO is relatively modest. Only two units are currently in operation. However, the advantages by LPG FPSOs are many. The main growth is expected to be seen in West Africa and South East Asia. As focus increases on the environmental effects of e.g. flaring, LPG FPSO stands out as a very attractive alternative as it also is an efficient mean of monetization of LPG extraction.

#### 10.5 Market Players in the FPSO Lease Market

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

**Figure 10-12: Overview of the FPSO players**

**Overview of the FPSO players**



Source: Carnegie Research

Some of these players, like BW Offshore, SBM Offshore, Modec and Prosafe are focusing on the global market excluding the North Sea. Some of the other players are focused on more specific geographical regions, like the North Sea and/or other areas.

**10.6 Redeployment**

As the market for FPSO solutions is relatively young, there has been little need for redeployment of units. However, as the FPSO market matures, redeployment of existing units becomes increasingly important. In the last five years, redeployment has counted for 25% of FPSO contracts and the two last years 33%. Of the current fleet of 108 units (by year end 2005), more than 50% have been on contract for five years or longer. Numerous technical issues influence the economics of FPSO redeployment. Redeployment offers significant advantages in reduced delivery time and lower construction risk relative to new conversions.

## 11 BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

### 11.1 Board of Directors

As of the date of this Prospectus the Board of the Company consists of the following members:

**Table 11-1: Board of the Company**

Name	Position	Director since
Helmut Sohmen	Chairman	2006
Andreas Sohmen-Pao	Deputy Chairman	2005
David Gairns	Director	2006
René Huck	Director	2006
Christophe Pettenati-Auzière	Director	2006
Kathie Child-Villiers	Director	2006

The Directors shall hold office for such term as the shareholders may determine, see section 13.11.3.

**Helmut Sohmen, Chairman**, born 1939, has served as Chairman of the Board since 2006. Dr. Sohmen was educated in law in his native Austria and in the United States, and has been involved in the shipping industry since 1970. Since 1986, he has been Chairman of the World-Wide Shipping group companies, and currently also serves as Chairman of BW Limited, BW Gas, Bergesen LNG Limited, and BW Corporation Limited. He is Chairman of the International Tanker Owners Pollution Federation Limited, and non-executive Director of HSBC Holdings plc. Previously, he was President of the Baltic and International Maritime Council, Chairman of the Hong Kong Shipowners Association, member of the London Steamship and Britannia Protection and Indemnity Clubs, and member of the General Committee of Lloyd's Register of Shipping. Dr. Sohmen lives in Hong Kong and his business address is World-Wide Shipping Agency Limited, 23/F, 9 Des Voeux Road West, Hong Kong SAR, China.

Mr Sohmen's direct and indirect shareholding in the Company is set out in section 11.3 –"Conflicts of interest etc".

**Andreas Sohmen-Pao, Deputy Chairman**, born 1971. Mr. Sohmen-Pao is Managing Director and member of the board of BW Shipping Managers Pte Ltd and Vice-chairman of the board of BW Gas. He also serves on the board of the Maritime and Port Authority of Singapore, as member of the Advisory Board of Deutsche Bank SHL (Schiffshypothekenbank zu Lübeck Ag) and as board member of Bergesen LNG Limited. Mr. Sohmen-Pao holds a double first class honours degree (B.A. Hons) from Oxford University and an MBA with distinction from Harvard Business School. Mr. Sohmen-Pao is the son of Dr. Helmut Sohmen (Chairman) and lives in Singapore. His business address is BW Shipping Managers Pte Ltd, 30 Hill Street, # 03-00, Singapore 179360.

Mr Sohmen Pao's direct and indirect shareholding in the Company is set out in section 11.3 –"Conflicts of interest etc".

**David Gairns, Director**, born 1936 is a UK Chartered Accountant who spent his entire professional life with KPMG, retiring in 1991 as the senior partner of the Hong Kong firm. He is a past president of the Hong Kong Society of Accountants. He spent 40 years of his working life in Hong Kong and from 1991 to 2002 he acted as non executive director and chairman of the audit committee of a number of public companies in Hong Kong including The Hongkong and Shanghai Banking Corporation Limited and the Mass Transit Railway Corporation. He is currently an independent non executive director and chairman of the audit committee of Edinburgh Dragon trust Limited, an investment company listed on the London Stock Exchange. He lives in Scotland and his business address is 33/1 Blackford Road, Edinburgh EH9 2DT, Scotland. Mr. Gairns is independent from the Company's management, major shareholders and principal business associates.

Mr. Gairns holds 0 Shares in the Company.

**René Huck, Director**, born 1947, is a member of the Board of Directors of PetroAlliance, a Russian Oil & Gas Services company partly owned by Schlumberger. He has previously been member of the Boards of Directors of Hanover Compressors, Western Geco and M.I.-Swaco. Mr. Huck is recently retired from Schlumberger where he has held a variety of senior positions over the last 15 years, most recently as Vice-President QHSE and Industry Affairs. Before joining Schlumberger, Mr. Huck was CEO of the drilling contractor Techfor – Cosifor. Prior to that, he worked 16 years as an engineer and operations manager at TOTAL. Mr. Huck is a Mechanical Engineer from Ecole Centrale in Nantes, France and a Petroleum Engineer from the French Petroleum Institute in Paris, France. Mr. Huck lives in London and his business address is Apartment 5H, Gloucester Park Apartments, Ashburn Place, Kensington London SW7 4LL, United Kingdom. Mr. Huck is independent from the Company's management, major shareholders and principal business associates.

Mr. Huck holds 0 Shares in the Company.

**Christophe Pettenati-Auzière, Director**, born 1952, is President of Geophysical Services with Compagnie Générale de Géophysique (CGG) in Paris. He has served with CGG since 1996, holding several senior management positions in the group. Before joining CGG, Mr. Pettenati-Auziere has worked with Coflexip for 14 years, where his latest position was as Corporate Vice President, International and Industrial Operations. Before Coflexip, Mr. Pettenati-Auziere has also worked for Exxon and Schlumberger. Mr. Pettenati-Auziere holds a Master of Science in Electrical Engineering from Institut National Polytechnique de Grenoble, France. He also holds an MBA from INSEAD, Fontainebleau, France. Mr. Pettenati-Auziere lives in Paris, and his business address is CGGVeritas, 1 rue Léon Migaux, 91341 Massy Cedex, France. Mr Pettenati-Auziere is independent from the Company's management, major shareholders and principal business associates.

Mr. Pettenati-Auziere holds 0 Shares in the Company.

**Kathie Child-Villiers, Director**, born 1965, is a Managing Director of The Hongkong and Shanghai Banking Corporation's (HSBC) Resources & Energy Group. Prior to joining HSBC she was a Managing Director at Merrill Lynch in the Energy & Power Group. Ms. Child-Villiers has also worked with Bear, Stearns & Co and Drexel Burnham Lambert. Ms. Child-Villiers has during her 16 year career advised on a number of significant mergers, acquisitions, privatisations and related financing transactions in the European Utilities landscape. Ms. Child-Villiers holds an International M.B.A. from the Rotterdam School of Management (Erasmus University) and holds a B.S. in Economics from Dartmouth College, Hanover, USA. Ms. Child-Villiers lives in London, U.K. and her business address is HSBC Bank plc, Managing Director, Resources and Energy Group, Global Investment Banking, Level 18, 8 Canada Square, London E14 5HQ, United Kingdom. Ms. Child-Villiers is independent from the Company's management, major shareholders and principal business associates.

Ms. Child-Villiers holds 0 Shares in the Company.

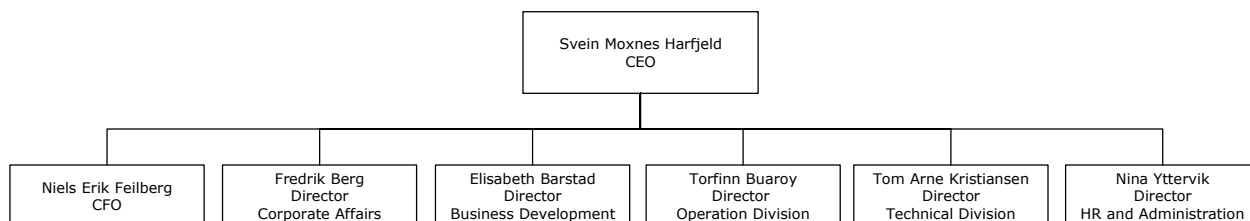
There are no employee representatives at the Board.

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

## 11.2 Management

As at the date of this Prospectus the management of the Company consists of the following persons:

**Figure 14-1: Management of BW Offshore**



**Svein Moxnes Harfjeld, CEO.** Svein Moxnes Harfjeld, born 1964, has been CEO since August 2005 as well as CFO from August 2005 to April 2006. Mr. Harfjeld came to Bergesen d.y. ASA in 2004 as a member of the board of management holding the position as Director, Business Development and Administration, a role that also included the responsibility for Bergesen's offshore division. He came to Bergesen from his position as Director with World-Wide Shipping in Singapore. Harfjeld has held numerous senior management positions with companies such as Andhika Group, Gruppo Coe & Clerici and Mitsui O.S.K. He started his shipping career with the Torvald Klaveness Group in Norway. He has also held non-executive directorships within the V. Ships group and GAC. Harfjeld has participated in executive management programs at INSEAD.

Mr Harfjeld holds directly or indirectly 246,733 Shares in BW Offshore.

**Niels Erik Feilberg, CFO.** Niels Erik Feilberg, born 1961, joined the Company in April 2006 as CFO. He came from the position as Vice President in Teekay Norway. He has a background within finance from a career in shipping companies like Ugland Nordic Shipping ASA (CFO), Nordic American Tanker Shipping Ltd (CFO/Treasurer), I.M.Skaugen as/Eikland as (Finance Manager) and Kosmos Shipping (Finance Manager). Mr. Feilberg has previously been board member of Network Electronics ASA. He holds a Bachelor of Commerce with Honors with a major in finance from Concordia University, Montreal, Canada.

Mr Feilberg holds directly or indirectly 192,534 Shares in BW Offshore.

**Fredrik Berg, Director, Corporate Affairs.** Fredrik Berg, born 1971, has been Director Corporate Affairs since August 2005. Until then he had been Attorney-at-law in Bergesen d.y. ASA since January 2003. He has also been a lawyer in the law firm Hjort DA. Mr Berg has previously been, and is currently, member of the boards of various companies within the BW Offshore sphere. He graduated from the Faculty of Law at the University of Oslo in 1998 and has also studied law at the University of Heidelberg, Germany.

Mr Berg holds directly or indirectly 59,200 Shares in BW Offshore.

**Elisabeth Barstad, Director, Business Development.** Elisabeth Barstad, born 1967, is Director, Business Development. She joined Bergesen in 2002. Her past experience includes various technical and managerial positions within reservoir engineering, drilling, field development and corporate planning with ExxonMobil Production Company and management consulting with PricewaterhouseCoopers Consulting. Mrs. Barstad is currently member of the board of BW Offshore Nigeria Ltd. She graduated with a Master of Engineering from Imperial College in London in 1992, and completed a Master of Business Administration from the Norwegian School of Management (BI) in Oslo in 1999.

Mrs. Barstad holds directly or indirectly 42,534 Shares in BW Offshore.

**Tom A. Kristiansen, Director, Technical Division.** Tom Arne Kristiansen, born 1963, is Director, Technical Division. His areas of responsibility are design and engineering, project budgeting and procurement, and project management. He joined Bergesen in 2002 where he has served positions as Topsides Manager and Engineering Manager. Before joining Bergesen, he worked for ABB Offshore System as Lead Process Engineer and Engineering Manager. He has a Master of Science (M.Sc.) in Mechanical Engineering from the Norwegian Institute of Technology in Trondheim (NTH now NTNU).

Mr. Kristiansen holds directly or indirectly 25,867 Shares in BW Offshore.

**Torfinn Buarøy, Director, Operation Division.** Torfinn Buarøy, born 1956, is Director, Operation Division. Mr Buarøy is currently member of the board of BW Offshore Malaysia Sdn Bhd And BW Offshore Nigeria Ltd. He has previously been board member of Pierce Production Company Ltd. and Bergesen d.y. Offshore. In Bergesen, he started as Project Engineer in the Newbuilding Department, moved to the position of Executive Officer of Partrederiet Berge Hugin DA and then Manager of Offshore Operations Department before entering his current position. Before he joined Bergesen in 1991, he worked as a Senior Surveyor in Det Norske Veritas and as a General Manager in Engineering Partner AS. He has a M.Sc. in Naval Architecture and Marine Engineering from the Norwegian Institute of Technology in Trondheim (NTH now NTNU).

Mr. Buarøy holds directly or indirectly 25,867 Shares in BW Offshore.

**Nina Christin Yttervik, , Director HR and Administration, born 1968.** Her area of responsibility is Human Recourses, IT, Information and PR and Administration. Before she joined the Company in November 2005, she was a HR Advisor in TINE. She has various backgrounds in management positions in Enitel and the Norwegian Forces. She graduated from the Faculty of Law at the University of Oslo in 1996, and has two years of Master of Management studies from the Norwegian School of Management (BI) in Oslo. Yttervik has participated in executive management program at IMD.

Ms. Yttervik holds directly or indirectly 14,071 Shares in BW Offshore.

All the Directors listed in this section 11.2 "Management" have employment contracts with BW Offshore AS and are resident in or around Oslo. The business address of all the Directors listed in this section 11.2 is that of BW Offshore AS, as set forth in section 9.1 "Legal structure of the BW Offshore Group".

None of the individuals mentioned in sections 11.1 and 11.2 have for the last five years been subject to any conviction in relation to fraudulent offences, bankruptcies, receiverships or liquidations, or any official public incrimination, and/or sanctions by statutory or regulatory authorities (including designated professional bodies).

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

### **11.3 Conflicts of Interests etc.**

The World-Wide Shipping group of companies was founded by Sir Yue-Kong Pao in 1955 in Hong Kong. His eldest daughter Anna is married to Helmut Sohmen who joined World-Wide Shipping in 1970 and became Chairman in 1986. The Sohmen family made a successful general offer for Bergesen d.y. ASA in 2003 and has since been the controlling shareholder of that entity (now restyled BW Gas ASA), as well as of the Company and of BW Limited and Bergesen LNG Limited. Through various corporate vehicles, the Sohmen family also controls a number of service companies involved in ship operations and vessel ownership for crude oil carriers, product tankers, and dry cargo ships.

As of the date of this Prospectus, BW Limited is approximately 93% owned by companies controlled by Sohmen family interests. BW Limited owns approximately 53.3% 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 Chairman and his son Andreas Sohmen-Pao is Deputy Chairman of the Board of the Company.

All other Board members are considered independent from Management, major shareholders or principal business associates.

Other than the above mentioned, there are no potential conflict of interests between the management's and the directors' duties to the company, and their private interests and/or other duties.

The management and the directors have not been associated with any bankruptcies, receiverships, or liquidations for the last five years. None of the managers and the directors have been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies, or been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer, or convicted of any fraudulent offences, for the last five years.

#### **11.4 Remuneration and Benefits**

As the Company was established third quarter 2005 there are no comparable figures for the remuneration to the management or Board in the year 2005.

The remuneration of the members of the Board is determined annually by the general meeting of the Company. No contracts have been entered into with any of the directors entitling them to any benefits upon termination of their function as member of the board of directors.

The current yearly compensation to each director of the Board from May 2006, except for the Chairman and the Deputy Chairman, will be approximately USD 40,000. The Chairman and the Deputy Chairman have waived their director's fees.

The current remunerations and benefits are entitling the group of senior management, excluding the CEO, to an aggregate yearly basic compensation of approximately USD 1,775,000. Other benefits such as group life insurance, health insurance and company cars amount to approximately USD 120,000. The current yearly expense for pensions is approximately USD 800,000.

The Board is responsible for deciding the CEO's compensation. The current remuneration scheme entitles the CEO to a basic yearly salary of approximately USD 470,000 and other yearly benefits such as group life insurance, health insurance and company car of approximately USD 30,000. The current yearly expense for pensions to the CEO is approximately USD 300,000.

The pension expenses for the present year do not represent an average year as funds are being allocated to cover new pensionable income.

There is no severance programme for the senior management apart from a reciprocal six months term of notice.

The incentive compensation program consists of a yearly bonus arrangement. The yearly bonus scheme is offered to permanent employees in the management office in Oslo and a limited number of key offshore employees.

The yearly bonus arrangement will be based on the Company's return on total capital employed ("ROCE") for the financial year. A ROCE above 8% will entitle the employees to a cash bonus equal to one month salary. A ROCE above 10% and above 12% will give a cash bonus equal to two and three months salary respectively.

The Company has established an Employee Stock Owning Programme (ESOP). In connection with the listing of BW Offshore on Oslo Børs in May 2006, BW Offshore resolved to offer the employees of BW



Offshore AS shares in BW Offshore. The employees were offered shares in BW Offshore for an amount corresponding to 1/3 of their annual salary at the time of the listing.

The employees have undertaken not to sell the shares during the period of three years as from the date of the purchase and the shares will be attached with a lock-up correspondingly. BW Offshore is offering a loan for the purposes of financing the share acquisition. No repayment of the loan will be required during the lock-up period of three years. There will be calculated interest on the loan corresponding to the interest rate applicable to favourable loans to employees at any given time, cf. section 5-12, sub-section 4, of the Tax Act. If the employee remains in employment with BW Offshore AS after the end of the three-year period, BW Offshore will pay a bonus to the employee corresponding to the loan. If the employee resigns prior to the three-year period, the employee will have to repay the loan in its entirety upon the discontinuation of employment

BW Offshore has set aside or accrued adequate amounts to provide pension, retirement or similar benefits for its officers and employees. At the date of the Prospectus this amounted to USD 1,5 million.

### 11.5 Employees

The table below sets out the number of permanent employees of the Company at 30 November 2006 by geographical location:

**Table 11-2: Permanent employees of BW Offshore**

<b>Location</b>	<b>Number of employees at 30 November 2006</b>
Norway	54
Nigeria	12
Mauritania	14
Russia	2
Malaysia	10
Oslo/Singapore	5
Mexico	2
Singapore	21
<b>Total</b>	<b>130</b>

The average number of temporary employees during 2006 has been 90.

## **12 CORPORATE GOVERNANCE**

Bermuda does not have a corporate governance code that applies to the Company.

The Board of Directors of the Company has adopted a Corporate Governance Policy to reflect BW Offshore's commitment to good corporate governance. This Policy is based on the "Norwegian Guidelines on Corporate Governance" ("Norsk anbefaling for eierstyring og selskapsledelse") dated 8 December 2005, prepared by the Norwegian Committee for Corporate Governance ("Norsk Utvalg for Eierstyring og Selskapsledelse"). The Board will revise its Corporate Governance Policy in a Board meeting to be held in the first quarter of 2007 to reflect the updated Norwegian Guidelines on Corporate Governance dated 28 November 2006.

The Norwegian Guidelines on Corporate Governance are "comply or explain" guidelines. BW Offshore's Corporate Governance Policy complies with the Norwegian Guidelines with certain deviations as outlined and explained below.

In accordance with common practice for Bermuda companies, BW Offshore's objects as stated in its Memorandum of Association are wider and more extensive than recommended in the Norwegian Guidelines.

In accordance with Bermuda law and common practice for Bermuda companies, the Board is authorised to purchase own shares and to increase the authorised and issued share capital by the issuance of new shares. The latter authority is neither limited to specific purposes nor to a specified period as recommended in the Norwegian Guidelines.

To avoid that the Company becomes a "controlled foreign entity" pursuant to Norwegian tax legislation, the Board may refuse to register the transfer of any share, where such transfer would in the opinion of the Board be likely to result in 50% or more of the issued and outstanding share capital being owned by individuals or legal persons resident for tax purposes in Norway.

Considering the shareholder structure, the Company does not have a nomination committee.

## **13 SHARE CAPITAL AND SHAREHOLDER MATTERS**

### **13.1 The Shares**

#### *13.1.1 General*

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

#### *13.1.2 Share capital*

The Company was incorporated on 7 June 2005. As of 31 December 2005 the authorised share capital of Company was USD 12,000 divided into 1,200,000 Shares. The issued share capital as at the same date was 12,000, divided into 1,200,000 Shares. The issued Shares were fully paid and with a par value of USD 0.01 per Share.

As of the date of this Prospectus, the authorised share capital of the Company is USD 5,000,000 divided into 500,000,000 Shares. The issued share capital as of the same date is USD 2,649,747.50 divided into 264,974,750 Shares. The issued Shares are fully paid and with a par value of USD 0.01 per Share.

#### *13.1.3 Share rights*

All issued Shares are vested with equal shareholder rights in all respects. There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote the Shares.

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

#### **Dividend rights**

Under Bermuda law, a company's board of directors may declare and pay dividends from time to time unless there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due or that the realisable value of its assets would thereby be less than the aggregate of its liabilities and issued share capital and share premium accounts. Under the Bye-Laws, each Share is entitled to dividends if, as and when dividends are declared by its Board, subject to any preferred dividend right of the holders of any preference shares. There are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to Norwegian residents who are holders of the Shares.

#### **Variation of class rights**

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

#### **Voting rights**

At any general meeting, every holder of shares present in person and every person holding a valid proxy shall have one vote on a show of hands. On a poll, every such holder of shares present in person or by proxy shall have one vote for every share held. The beneficial owners of Shares registered in the VPS system must exercise any rights of ownership relating to the Shares, including all voting rights attached to the Shares, by instructing the Registrar as the registered holder of the

Shares accordingly. Unless a different majority is required by law or by the Bye-Laws, any question proposed for the consideration of the shareholders at a general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of the Bye-Laws and in case of an equality of votes the resolution shall fail. No Bye-Laws shall be rescinded, altered or amended unless the same shall have been proposed and approved by resolution of the directors and by a resolution of the shareholders.

#### *13.1.4 Registration of the Shares*

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

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

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

All transactions related to securities registered with the VPS must be recorded in the VPS and the transactions are recorded through computerised book-entries. No physical share certificates are or can be issued for securities registered with VPS. VPS confirms each entry by sending a notification of the transaction to the relevant investor, regardless of beneficial ownership. The evidence of ownership through the VPS is the only formality required in order to acquire and sell beneficial ownership of the Shares on Oslo Børs. To effect these entries, the investor must establish a securities account with a Norwegian account operator unless the investor's securities are registered in the name of a nominee. Norwegian banks, authorised investment firms in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account operators. The entry of a transaction in VPS is under Norwegian law prima facie evidence in determining the legal rights of parties as towards the issuing company and against a third party claiming an interest in the security.

Either the Company or the Registrar may terminate the Registrar Agreement with three months prior written notice or immediately upon written notice of any material breach of the Registrar Agreement. The Registrar may terminate the Registrar Agreement on the Company's failure to fulfil payment obligations or any other material breach of the Registrar Agreement. In the event the Registrar Agreement is terminated, the Company will use its reasonable best efforts to enter into a replacement agreement for the purposes of permitting the uninterrupted listing of the Shares on Oslo Børs. There can be no assurance however, that it would be possible to enter into such an agreement on substantially the same terms or at all. A termination of the Registrar Agreement could, therefore, adversely affect the listing of the Shares on Oslo Børs. If the Registrar Agreement is terminated and

not replaced, the Registrar will cooperate with investors to have their shares directly registered in the Company's register of members.

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

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

The Registrar for the shares is DnB NOR Bank ASA, Stranden 21, N-0250 Oslo, Norway.

### 13.2 Outstanding Authorizations

#### 13.2.1 Authorization to issue Shares

Pursuant to the Bye-Laws, subject to any resolution of the shareholders to the contrary, the Company's Board is authorised to increase the authorised share capital of the Company and to issue any of its authorised but un-issued Shares.

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

#### 13.2.2 Repurchase of Shares

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

### 13.3 Historical development in share capital and number of Shares

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

**Table 13-1: Historical development in share capital and number of Shares**

Year	Type of change in share capital	Change in issued share capital	Par value per Share (USD)	Total authorised capital (USD '000)	Total issued share capital (USD)	Total number of issued Shares following share issue
2005	Incorporation	12,000	0.01	1,200	12,000.00	1,200,000
2006	Increase of authorised share capital	-	0.01	2,500,000	-	-
2006	Debt conversion	1,188,000	0.01	2,500,000	1,200,000.00	120,000,000
2006	Private placement	789,474	0.01	2,500,000	1,989,473.68	198,947,368
2006	Private placement	61,184	0.01	2,500,000	2,050,657.89	205,065,789
2007	ESOP *)	13,292	0.01	2,500,000	2,063,949.84	206,394,984
2007	Private placement	436,050.16	0.01	2,500,000	2,500,000.00	250,000,000
2007	Increase of authorised share capital	-	0.01	5,000,000	-	-
2007	Share Issue (APL)	105,661.48	0.01	5,000,000	2,605,661.48	260,566,148
2007	Share issue (Crystal Sea)	440,860.2	0.01	5,000,000	2,649,747.50	164,974,750

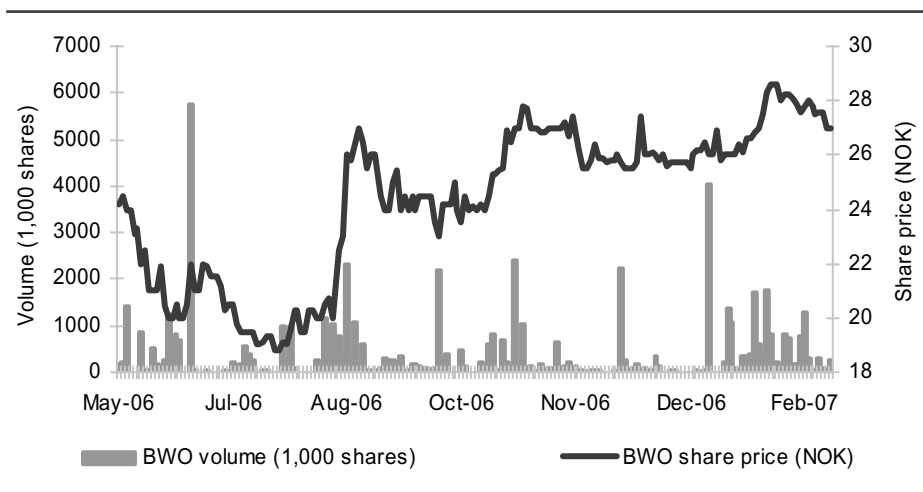
\*) ESOP = Employee Stock Owning Programme, ref section 11.4. The ESOP-shares were issued 4 January 2007, but the programme was established in 2006 effectively as from 15 September 2006.

### 13.4 Share Price Development

The Shares have been listed on Oslo Børs since 31 May 2006 under the ticker symbol "BWO" since.

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

**Figure 13-1: Price and trading volume\* of the Shares from 31 May 2006 to 16 February 2007**



Source: Datastream

\*For illustration purposes the Private Placement performed on 15 January 2007 of 43,605,016 Shares has been excluded from the trading volume.

### 13.5 Ownership Structure

The following shareholders own more than 5% of the issued shares in the Company:

- BW Limited holds 141,166,148 Shares, which equals 53.3% of the Shares and votes of BW Offshore. The Company is accordingly controlled by BW Limited.
- Franklin Resources, Inc., on behalf of Franklin Mutual Advisers, LLC acting in the capacity as discretionary investment manager to underlying funds and managed accounts has pursuant to disclosure notification 18 January 2007 a total holding of 23,700,703 Shares, which equals 8.9% of the issued shares and votes in BW Offshore.
- Funds managed by ODIN Forvaltning AS holds pursuant to disclosure notification 16 January 2007 a total holding of 22,500,000 Shares which equals 8.5% of the Shares and votes of BW Offshore.

All the Shares are registered with the VPS; however the register of members is maintained in Bermuda, see section 13.1.4 "Registration of the Shares".

As of 16 February 2007, the Company had in total 382 shareholders, each owning more than one Trading Lot.

The management team and members of the Board, excluding the Chairman and the Deputy Chairman, currently own approximately 0.2% of the Shares, see sections 11.1 and 11.2. In addition, the Sohmen family, represented by the Chairman and Deputy Chairman, has indirect interests in the Company as set out in section 11.3 "Conflicts of interest etc."

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

### **13.6 Shareholder and Dividend Policy**

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

There have been no further dividend payments for the period covered by the financial accounts, other than those described in chapter 6 "Selected consolidated financial information."

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

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

The Company currently has only one class of issued Shares. The Shares are freely transferable, subject to the ownership limitations described in section 13.7.

### **13.7 Ownership Limitations**

The Bye-Laws do not contain any provisions imposing any limitations on the ownership of or the tradability of interests in the Shares traded in the VPS system, save that the Board may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through the VPS, where such transfer would, in the opinion of the Board, be likely to result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation. Furthermore, the Board shall refuse to register a transfer of any Share unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained and may in its absolute discretion refuse to register the transfer of a Share that is not fully paid. The Company currently has all required Bermuda governmental consents for the transfer of beneficial interests in the Shares in the VPS system.

### **13.8 Shareholder Agreements**

The Company is not aware of any shareholder agreements among the Company's shareholders.

### **13.9 Lock-up Agreements**

BW Limited which currently holds 141,166,148 Shares (approximately 53.3% of the Company), has entered into a lock-up agreement with Carnegie and Danske Markets, who were managers when the Company was listed in May 2006. Under the lock-up agreement, BW Limited has agreed not to offer, sell, contract to sell or otherwise dispose of 120,000,000 Shares in BW Offshore, which was BW Limited's holding of Shares as of the first day of trading of the Company's Shares on Oslo Børs (31 May 2006), for a period of twelve months following the first day of trading of the Shares on Oslo Børs, without the prior written consent by Carnegie and Danske Markets.

The 106 BW Limited employees who participate in the Employee Stock Owning Programme described in section 11.4 - "Remuneration and Benefits" have undertaken not to sell the 1,329,195 Shares purchased in the programme for a period of three years from the date of accepting the offer to participate in the Programme.

### **13.10 Key Differences between Norwegian and Bermuda Corporate Law**

A summary highlighting certain similarities and differences between the corporate laws to which the Company is subject and the rules that would apply to a Norwegian public limited company is set forth in Appendix II.

### **13.11 Certain Provisions of the Company's Bye-laws, Memorandum of Association and Bermuda Law**

#### *13.11.1 General*

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

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

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

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

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

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

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

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

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

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



utility models, trade secrets, confidential information, know how, get-up and any other rights and privileges vesting in or attaching thereto;

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

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

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

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

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

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

The Company's objectives are listed in paragraph 6(1) - (15) in the Company's Memorandum of Association, attached as Appendix IV to this Prospectus.

#### *13.11.2 General meeting*

The annual general meeting of the Company shall be held each year at such time and place as the president or the chairman or the Board shall appoint. The president, the chairman or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary. The Board shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up voting share capital of the Company, forthwith proceed to convene a special general meeting of the Company.

At least 14 days' written notice of an annual general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of directors will take place thereat, and, as far as practicable, the other business to be conducted at the meeting. At least 14 days' written notice of a special general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time and the general nature of the business to be considered at the meeting. The Board may fix any date as the record date for determining the shareholders entitled to receive notice of and to vote at any general meeting of the Company.

A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in the Bye-Laws, be deemed to have been properly called if it is so agreed by (i) all the shareholders of the Company entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the Shares giving a right to attend and vote thereat in case of a special general meeting. The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders may participate in any general meeting by means of such telephone, electronic or other communication facilities as permits all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meeting.

At any general meeting of the Company, two or more persons present in person throughout the meeting and representing in person or by proxy in excess of 25% of the total issued voting shares in the Company shall form a quorum for the transaction of business provided that if the Company shall at any time have only one shareholder, that shareholder present in person or by proxy shall form a quorum for the transaction of business.

Subject to the provisions of the BCA and the Bye-Laws, any question proposed for the consideration of the shareholders at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of the Bye-Laws and in the case of an equality of votes, the resolution shall fail.

Anything which may be done by resolution of the Company in a general meeting, or by resolution of a meeting of any class of the Shareholders may, without a meeting and without any previous notice being required, be done by resolution in writing signed by all the shareholders who at the date of the resolution would be entitled to attend the meeting and vote on the resolution. However, this does not apply to a resolution to remove an auditor from office before the expiration of his/her term of office, or a resolution for the purpose of removing a director before the expiration of his/her term of office.

No Bye-Law shall be rescinded, altered or amended and no new Bye-Law shall be made until the same has been approved by a resolution of the Board and by a resolution of the shareholders. In addition, Bye-Laws 37 39, 41 and 75 shall not be rescinded, altered or amended and no new Bye-Law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-Laws, until the same has been approved by a resolution of the Board including the affirmative vote of not less than 66% of the directors then in office and by a resolution of the shareholders including the affirmative vote of not less than 50% of the votes attaching to all shares in issue.

Under the BCA the holders of an aggregate of not less than 20% in par value of the company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the BCA. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within twenty-one days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favour of the amendment.

### *13.11.3 Board and management*

#### **Election and removal of Directors**

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

The Directors shall hold office for such term as the Members may determine.

Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors and may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director.

### **Remuneration of Directors**

The remuneration (if any) of the Directors shall be determined by the Company in general meeting

### **Directors to Manage Business**

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

Subject to these Bye-laws, the Board may delegate to any company, firm, person, or body of persons any power of the Board (including the power to sub-delegate).

### **Power to appoint manager day-to day business**

The Board may i.a. appoint any company, firm, person or body to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

### **Appointment of officers**

The Board shall appoint a President and Vice President or a Chairman and Deputy Chairman who shall be Directors. The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.

### **Remuneration of officers**

The Officers shall receive such remuneration as the Board may determine.

### **Indemnification and exculpation of directors and officers**

The Directors, Secretary and other Officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons.

#### *13.11.4 Compulsory acquisition of Shares by minority shareholders*

An acquiring party is generally able to acquire compulsorily the common Shares of minority holders in the following ways:

By a procedure under the BCA known as a "scheme of arrangement". A scheme of arrangement could be effected by obtaining the agreement of the Company and of holders of Shares, comprising in the aggregate a majority in number representing at least 75% in value of the shareholders present and voting at a meeting ordered by the Bermuda Supreme Court to be held to consider the scheme of arrangement. Following such approval by the shareholders, the Bermuda Supreme Court must then sanction the scheme of arrangement. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of Shares could be compelled to sell their Shares under the terms of the scheme of arrangement.

If the acquiring party is a company, by acquiring pursuant to a tender offer 90% of the Shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the Shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90% or more of all the Shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require by notice any non tendering shareholder to transfer its Shares on the same terms as the original offer. In those circumstances, nontendering shareholders will be compelled to sell their Shares unless the Bermuda Supreme Court (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such Shares) orders otherwise.

Where the acquiring party or parties hold not less than 95% of the Shares of the Company, by acquiring, pursuant to a notice given to the remaining shareholders, the Shares of such remaining shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the Shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Bermuda Supreme Court for an appraisal of the value of their Shares. This provision only applies where the acquiring party offers the same terms to all holders of Shares whose Shares are being acquired.

#### *13.11.5 Amalgamations*

The amalgamation of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Unless the company's bye-laws provide otherwise the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company.

#### *13.11.6 Appraisal rights and shareholder suits*

Under the BCA, in the event of an amalgamation of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the general meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

#### *13.11.7 Capitalisation of Profits and Reserves*

Pursuant to the Bye-Laws, the Board may (i) capitalise any part of the amount of its share premium or other reserve accounts or any amount credited to the Company's profit and loss account or otherwise available for distribution by applying such sum in paying up un-issued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares) to the shareholders; or (ii) capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by paying up in full partly paid shares of those shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

#### *13.11.8 Untraced shareholders*

The Bye-Laws provide that the Board may forfeit any dividend or other monies payable in respect of any Shares which remain unclaimed for six years from the date when such monies became due for payment. In addition, the Company is entitled to cease sending dividend warrants and checks by post or otherwise to a shareholder if such instruments have been returned undelivered to, or left uncashed by, such shareholder on at least two consecutive occasions or, following one such occasion, reasonable enquires have failed to establish the shareholder's new address. This entitlement ceases if the shareholder claims a dividend or cashes a dividend check or a warrant.

*13.11.9 Access to books and records and dissemination of information*

Members of the general public have the right to inspect the public documents of a Bermuda company available at the office of the Registrar of Companies in Bermuda. These documents include the Company's memorandum of association, including its objects and powers, and certain alterations to its memorandum of association. The shareholders have the additional right to inspect the bye-laws of the Company, minutes of general meetings and the company's audited financial statements, which must be presented at the annual general meeting. The register of members of a Bermuda company is also open to inspection by shareholders without charge and by members of the general public on the payment of a fee. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of shareholders for not more than thirty days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the BCA, establish a branch register outside Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

**13.12 Related Party Transactions**

The Company has entered into various service contracts with members of the BW Group, including but not limited to contracts under which the Company acquires IT services and recruitment services. These contracts have been entered into on an arms length basis.

The tables below provide information as to the related party transactions for the financial years 2004 and 2005, and for the third quarter 2005 and 2006.

**Table 13-2: Related party transactions for the third quarter 2005 and 2006**

	<b>3Q 2006</b>	<b>3Q 2005</b>
	<b>USD ` 000</b>	<b>USD ` 000</b>
<b>Related Parties</b>	(unaudited)	(unaudited)
Interest expenses to group companies	679	2 520
Management, administration and rental services from BW Gas	1 920	1 000
Period-end balances		
Receivable from group companies (BW Gas)	93	-
Payable to group companies (BW Gas)	-	730
Debt to BW Gas	-	-
Debt to BW Limited	7 492	367 258

**Table 13-3: Related party transactions for the financial years 2004 and 2005**

	<b>2005</b>	<b>2004</b>
<b>Related Parties</b>	<b>USD ` 000</b>	<b>USD ` 000</b>
Interest expenses to group companies	8 483	3 727
Management, administration and rental services from BW Gas	6 599	4 309
Year-end balances		
Receivables from group companies	840	177
Payables to group companies (BW Gas)	6 536	6 418
Debt to BW Gas	0	151 690
Debt to BW Limited	508 327**	0

\*) Interest expenses are related to long-term loans from BW GAS ASA in 2004 and the period from January to September 2005. The terms of the agreement are LIBOR + 1.5-2%. For the period from

September to December 2005 interest is charged to expense for fund long-term loan from ultimate holding company amounting to USD 2,171,000.

\*\* ) Converted to equity

The Company has also entered into an agreement with BW Limited as described in section 9.7.4 "YÛUM K'AK'NÁAB".

On 15 January 2007, the Company entered into a stock lending agreement with the Manager and BW Limited to facilitate early delivery of the New Shares to subscribers in the Private Placement. Under the stock lending agreement, BW Limited agreed to lend 43,605,016 BW Offshore Shares to the Manager and the Manager agreed to subscribe for the New Shares and transfer them to BW Limited. BW Limited did not receive any consideration for the lending of the Shares.

On 18 January 2007 BW Offshore entered into an option agreement with BW Euroholdings Limited, whereby BW Offshore was granted an option to acquire 39,675,905 shares in Prosafe ASA at a strike price of NOK 86. The option expires on 30 June 2007. The option can only be exercised once, and the exercise must comprise all the option shares. If exercised, BW Offshore will finance the transaction by issuing shares to BW Euroholdings Limited at a price of between NOK 26 - NOK 28 per share. The only condition in the option agreement is related to a change of control in BW Offshore. BW Offshore did not pay any consideration for the option because the BW Group wishes to give BW Offshore access to the BW Group's Prosafe ASA shares, as BW Offshore is the group's vehicle in the FPSO industry.

On 5 February 2007 the Company acquired 4,415,000 shares in APL ASA from BW Euroholdings Limited, representing approximately 10.1% of the shares and votes of APL ASA. As consideration, BW Offshore issued 10,566,148 new shares to BW Euroholdings Limited, representing approximately 4.1% of the Shares. The exchange ratio was approximately 2.39 BW Offshore Shares for each APL ASA share. Subsequently, BW Euroholdings Limited has sold such Shares to BW Limited.

## **14 SECURITIES TRADING IN NORWAY**

### **14.1 Introduction**

The Shares are listed and traded on Oslo Børs and the Company is therefore subject to Norwegian securities regulations and supervision by the relevant Norwegian authorities.

### **14.2 Oslo Børs**

Oslo Børs was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. Oslo Børs is a public limited liability company and operates under a license from the Norwegian Ministry of Finance. As at 31 December 2006, the total capitalisation of companies listed on Oslo Børs amounted to approximately NOK 1,915,777 million. As at 31 December 2006, a total of 196 domestic and 33 foreign companies were listed on Oslo Børs.

The Norwegian stock market was characterised by limited volumes until the mid-1980s. Since then, Oslo Børs has experienced significant growth. The OSEBX benchmark index, based on all domestic shares meeting certain liquidity requirements, rose from 100 calculated as at 31 December 1995 to 440.36 at the close of trading on 31 December 2006. On 31 December 2006, foreign shareholdings amounted to approximately 39.7% of the total market capitalisation.

Oslo Børs is a member of the NOREX Alliance. NOREX is the name of the strategic alliance among the Nordic and Baltic Stock Exchanges. The NOREX Alliance has a joint system for equity trading and harmonised rules and requirements among the exchanges with respect to trading and membership.

### **14.3 Regulation**

#### *14.3.1 Introduction*

The regulation of the securities market in Norway is based primarily on the Stock Exchange Act, the Stock Exchange Regulations, the Securities Register Act and the Securities Trading Act. In addition, based on its authority under the Stock Exchange Act, Oslo Børs has established rules and terms of business governing the admission to stock exchange listing and obligations applicable to companies with listed shares.

#### *14.3.2 Company Listing*

There are three equity markets lists on Oslo Børs: the Main List, the SMB List and the primary capital certificate list. The companies listed on the Main List and the SMB List are divided into four categories based on the liquidity of the market for their securities. These four categories are comprised as follows:

- OBX comprises the 25 most traded shares in accordance with the rules in force from time to time for the OBX index;
- OB Match comprises all shares with a minimum of 10 trades per day on average over the previous six-month period, except shares included in the OBX index;
- OB Standard comprises all shares with fewer than 10 trades per day on average over the previous six-month period; and
- OB New comprises all shares that have been traded for less than two months at the rebalancing date.

As at 31 December 2006, the OBX category comprised approximately 75.3% of the market value (based on VPS registered capital) on Oslo Børs, while OB Match represented approximately 17.3% and OB Standard approximately 3.0%.

The companies listed on Oslo Børs are categorised according to industry sectors. Together with the other exchanges in the NOREX Alliance, Oslo Børs has implemented the Global Industry Classification Standard, a global standard developed by Morgan Stanley Capital International Inc. and Standard & Poor's. Companies are categorised on four levels; there are 10 sectors, 24 industry groups, 62 industries and 132 sub-industries.

### 14.3.3 *Securities Registration*

The VPS is Norway's paperless central securities registry. VPS is owned by a public limited company and operates under a license from the Ministry of Finance. The ownership of, and all transactions related to, securities which are publicly traded in Norway are recorded in VPS.

All transactions related to securities registered with VPS are executed through computerised book-entries. No physical share certificates representing securities registered with VPS are or can be issued. VPS confirms each entry by sending a transcript to the registered holder, regardless of beneficial ownership. Registered holders also receive an annual statement of their holdings as of 31 December of each year.

In order to effect entries in VPS, the shareholder or its nominee must establish a securities account with a Norwegian account operator. Norwegian banks, Norwegian branches of credit institutions established within the EEA, bond issuing mortgage companies, authorised investment firms in Norway, the Central Bank of Norway and management companies for securities funds (insofar as units in the securities funds they manage are concerned) are permitted to act as account operators.

The entry of a transaction in VPS is prima facie evidence in determining the rights of parties as against the issuing company or a third party claiming an interest in the subject security. See Section 13.1.4 "Registration of the Shares" for a more detailed description. VPS must provide ongoing information to the Norwegian Financial Supervisory Authority (Kredittilsynet, or the "NFSA"), as well as any information that the NFSA requests. Additionally, Norwegian tax authorities may demand certain information regarding any individual's holdings of securities, including dividends and interest payment information. VPS is liable for any economic loss resulting from an error in connection with its registration activities unless the error is caused by matters outside the control of VPS and which VPS could not reasonably be expected to avoid or of which VPS could not reasonably be expected to overcome the consequences. The courts may reduce or set aside VPS' liability if the person who has suffered the loss has contributed to the loss wilfully or negligently.

### 14.3.4 *Trading and Settlement*

Trading on the NOREX exchanges is carried out in the electronic trading system, SAXESS. This trading system is used by all members of the NOREX Alliance and allows brokers to operate through a single trading system on all exchanges of which they are members. For the time being, clearing of all trades, however, takes place through different systems for trades effected on the different exchanges.

Since the start of the trading and clearing co-operation among OM Stockholm AB ("OM"), the OMLX Exchange in London, the Norwegian Futures & Options Clearing House and Oslo Børs on 14 February 1997, trading in Norwegian equity derivatives has occurred electronically through OM's Click Exchange System. Market makers and brokers register their buying and selling interests and deals are directly carried out using the system. Brokers who are not electronically linked to the Click Exchange System may still trade by using Oslo Børs' Market Place Securities System, managed by Oslo Børs' staff who, acting on behalf of the brokers, register their interests and trades in the system.

Official trading takes place between 9.00 am CET and 4.30 pm CET each trading day. Orders may be placed in the system beginning at 8.15 am CET.

The settlement period for trading on Oslo Børs is three days (T+3).

The ability of brokerage houses to trade for their own account is restricted to trading that occurs as an integral part of either their investment services or their general capital management. Trading by individual employees is restricted.

Investment services may only be provided by Norwegian brokerage houses holding a license under the Securities Trading Act, branches of brokerage houses from an EEA state holding a license in their home jurisdiction or brokerage houses from outside the EEA which have been licensed to operate in Norway. EEA state brokerage houses holding a license in their home jurisdiction may also conduct cross-border investment services in Norway. It is possible for brokerage houses and credit institutions



to undertake market-making activities in listed Norwegian shares if they have a license to do so under the Securities Trading Act or, in the case of brokerage houses and credit institutions from an EEA state, a license to carry out market making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Securities Trading Act covering a broker's trading on his or her own account. Such market-making activities, however, do not require notification to the NFSA or Oslo Børs except for the general obligation by brokerage houses that are members of Oslo Børs to report all trades in listed securities.

#### *14.3.5 Membership of Oslo Børs*

Brokerage houses permitted to operate under the provisions of the Securities Trading Act are entitled to apply for membership at Oslo Børs. The board of directors of Oslo Børs considers all applications. A member of one of the NOREX exchanges may easily become a member of Oslo Børs by using the existing technical connection and the simplified and harmonised application procedures of NOREX. The board of directors of Oslo Børs may withdraw membership or impose monetary penalties on any member for a violation of the Stock Exchange Act or other regulations. Alternatively, Oslo Børs may issue an official warning or suspend a member for less serious violations.

#### *14.3.6 Foreign Investment in Norwegian Shares*

Foreign Shareholders may trade shares listed on Oslo Børs through any broker which is a member of Oslo Børs, whether Norwegian or foreign.

#### *14.3.7 Information, Control and Surveillance*

Under Norwegian law, Oslo Børs is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit monitors all market activity on a continuous basis and is responsible for the dissemination of information from listed companies to the market. Market surveillance systems are largely automated and promptly warn department personnel of abnormal market developments.

The Prospectus Directive has been implemented in Norway with effect from 1 January 2006, and Oslo Børs is the competent authority for the required approval of prospectuses in both the equity and bond markets in Norway (except for prospectuses approved in other EEA states that are used in Norway in accordance with applicable passporting rules).

## **15 TAXATION**

### **15.1 Introduction**

*The statements herein regarding Norwegian taxation are based on the laws in force in Norway as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retrospective basis. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares. Shareholders are advised to consult their own tax advisors concerning their overall tax situation.*

*Please note that for the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.*

### **15.2 Norwegian Taxation of Shareholding in BW Offshore**

#### *15.2.1 Taxation of Dividends*

##### **Norwegian personal shareholders**

Dividends received by Norwegian personal shareholders from BW Offshore are subject to tax in Norway as general income at a flat rate of 28%. Such shareholders are entitled to deduct a calculated allowance when calculating their taxable dividend income. The allowance is calculated on a share-by-share basis, and the allowance for each share is equal to the cost price of the share, multiplied by a risk free interest rate. Any part of the calculated allowance one year exceeding the dividend distributed on the share can be added to the cost price of the share and included in the basis for calculating the allowance the following years.

##### **Norwegian corporate shareholders**

Dividends received by Norwegian corporate shareholders from BW Offshore are subject to tax in Norway as general income at a flat rate of 28%.

##### **Foreign shareholders**

As a general rule, dividends received by foreign shareholders are not taxable in Norway. However, if a foreign shareholder is carrying on business activities in Norway and the shares are effectively connected with such business activities, the foreign shareholder will be subject to the same dividend taxation as Norwegian shareholders, as described above.

#### *15.2.2 Capital Gains Tax*

##### **Norwegian personal shareholders**

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian personal shareholder through a disposal of shares in BW Offshore is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The capital gain is calculated as the consideration received less the cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian personal shareholders are entitled to deduct a calculated allowance when calculating their taxable income. The allowance for each share will be equal to the cost price of the share multiplied by a determined risk free interest rate. The allowance may only be deducted in order to reduce a taxable gain, and may not be deducted in order to increase or produce a deductible loss. The calculated allowance is allocated to the personal shareholders holding shares at the expiration of each calendar year.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Norwegian personal shareholders who move abroad and as a consequence of this cease to be tax residents in Norway either by internal law or tax treaty protection, will be deemed tax liable in Norway for any potential gain related to the shares held at the time the Norwegian tax residency ceased, as if

the shares were realised at this time. Gains of NOK 500,000 or less are not taxable. Losses are as a main rule not deductible. However, if the personal shareholder moves to a jurisdiction within the EEA, losses related to shares held at the time tax residency ceases may be tax deductible. Taxation (loss deduction) will occur at the time the shares are actually sold or otherwise disposed of. If the shares are not realized within five years after the shareholders ceased to be resident in Norway for tax purposes, the tax liability or tax deduction calculated under these provisions will not apply.

#### **Norwegian corporate shareholders**

A capital gain or loss derived by a Norwegian corporate shareholder from a disposal of shares in BW Offshore is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

#### **Foreign shareholders**

As a general rule, capital gains generated by foreign shareholders are not taxable in Norway. However, such gains may be subject to taxation for foreign shareholders who (i) holds the shares in connection with the conduct of a trade or business in Norway or (ii) have been tax residents of Norway within the five calendar years preceding the year of the sale or other realization (and whose gains are not exempt pursuant to the provisions of an applicable income tax treaty).

##### *15.2.3 Net Wealth Tax*

The value of shares is included in the basis for computation of net wealth tax imposed on Norwegian personal shareholders. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes of shares listed on the Main List and the SMB List of Oslo Børs is set to 85% of the listed value.

##### *15.2.4 Duties on Transfer of Shares*

No stamp or similar duties are currently imposed in Norway on the transfer of shares whether on acquisition or disposal.

##### *15.2.5 Inheritance Tax*

Upon transfer of shares by way of inheritance or gift, the transfer may be subject to Norwegian inheritance or gift tax. The basis for the computation is the market value at the time the transfer takes place. The rate is progressive from 0 to 30%. For inheritance and gifts from parents to children, the maximum rate is 20%. However, such transfer is not subject to Norwegian tax if the donor/deceased was neither a national nor resident of Norway for tax purposes.

### **15.3 Bermuda Taxation**

At the date of this Prospectus, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of its Shares.

The Company will not be subject to any Bermuda stamp duty on the issue, transfer or repurchase of the Shares, or on the payment of any dividend or the making of any distribution of contributed surplus.

The Company has obtained, from the Ministry of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such shall not, until 28 March 2016, be applicable to the Company or to any of its operations, or to its Shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by it in Bermuda. As an exempted company, the Company is liable to pay in Bermuda a registration fee at a rate presently ranging from USD 1,780 to USD 27,825 per annum.

## 16 ADDITIONAL INFORMATION

### 16.1 Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BW Offshore is aware) during the period from the incorporation of the Company until the date of this Prospectus, 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.

### 16.2 Currencies

The Company publishes its financial statements in USD (presentation currency). USD is also the BW Offshore Group's functional currency. Unless otherwise specified or unless the context otherwise requires, all references in this Prospectus to (i) NOK refer to the lawful currency of the Kingdom of Norway, (ii) USD refer to the lawful currency of the United States of America, (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 NOK as at 7 December 2006:

Country / Area	Currency	Spot Rate
United States	USD	6.0875
EMU Area	EURO	8.0945
Singapore	SGD	3.9584

Source: Norges bank

### 16.3 Documents on Display

For the life of the Prospectus the following documents (or copies thereof) may be inspected at the offices of the Company:

- The Memorandum of Association and Bye-law of the Company
- The Company's combined and consolidated financial statements for 2005
- The Company's interim report for third quarter 2006

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

### 16.4 Confirmation Regarding Sources

The Company confirms that information in this Prospectus 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.

## 17 DEFINITIONS AND GLOSSARY OF TERMS

The following definitions and glossary apply in this Prospectus unless otherwise dictated by the context, including the foregoing pages of this Prospectus.

### Definitions

<b>BCA</b>	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 ASA (previously named Bergesen d.y. ASA)
<b>BW Group</b>	BW Limited and its subsidiaries
<b>BW Limited</b>	BW Limited
<b>BW Offshore Group</b>	The Company and its subsidiaries
<b>Bye-Laws</b>	The Bye-Laws of the Company, as last amended 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>Crystal Sea Share Issue</b>	The issue of 4,408,602 new Shares totalling USD 20 million to Seadrill Limited on 22 February 2007 as part of the purchase price for Crystal Sea FPSO
<b>Company or BW Offshore</b>	BW Offshore Limited, or BW Offshore Limited and its subsidiaries, as required by the context
<b>DNV</b>	Det Norske Veritas
<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>HSEQ</b>	Health, safety, environment and quality
<b>IFRS</b>	International Financial Reporting Standards
<b>Manager</b>	Carnegie ASA
<b>NFSA</b>	The Norwegian Financial Supervisory Authority ( <i>Kredittilsynet</i> )
<b>New Shares</b>	The 58,579,766 Shares issued in the Private Placement, in the Share Issue and in the Crystal Share Sea Issue
<b>NOK</b>	Norwegian Kroner
<b>Norwegian Code</b>	The Norwegian Code of Practice for Corporate Governance
<b>Private Placement</b>	The private placement of 43,605,016 New Shares directed at selected group of institutional investors in Norway and abroad conducted on 15 January 2007
<b>Public Limited Companies Act</b>	The Norwegian Public Limited Companies Act of 13 June 1997 no. 45, as amended from time to time ( <i>Allmennaksjeloven</i> )
<b>Prospectus</b>	This Prospectus dated 26 February 2007
<b>Oslo Børs</b>	Oslo Børs ASA (the Oslo Stock Exchange)
<b>Registrar</b>	DnB NOR Bank ASA
<b>Relevant Member State</b>	Each member state of the EEA which has implemented the Prospectus Directive
<b>Securities Trading Act</b>	The Norwegian Securities Trading Act of 19 June 1997 No. 79
<b>SGD</b>	Singapore Dollars
<b>Shares</b>	The common shares in the share capital of the Company, each with a par value of USD 0.01
<b>Share Issue</b>	The issue of 10,566,148 New Shares to BW Euroholdings Limited on 5 February 2007 in exchange for 4,415,000 shares in APL ASA
<b>SMB-list</b>	The list for small and medium-sized enterprises listed on Oslo Børs
<b>Takeover Directive</b>	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids
<b>Trading Lot</b>	Trading on the Oslo Børs trading systems takes place in whole Trading Lots. A Trading Lot in BW Offshore is 500 Shares
<b>Transparency Directive</b>	Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC
<b>USD</b>	United States Dollars, the lawful currency of the United States of America
<b>VPS</b>	The Norwegian Central Securities Depository, who organises the Norwegian paperless securities registration system ( <i>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.

Bbl	Barrels of oil (One barrel of oil (=159 liter)
bbl/d	Barrels of oil per day
Dwt	Dead-weight ton. A vessel's cargo-carrying capacity measured in tons
E&P	Exploration and Production
FPSO	Floating Production, Storage and Offloading
FSO	Floating Storage and Offloading
ISO	International Organization for Standardization
km	Kilometres
LPG	Liquefied Petroleum Gas
Meters <sup>3</sup>	Cubic metres
mmscf/d	Million standard cubic feet gas per day
OHSAS	Occupational Health & Safety Assessment Series
Semi	Semi submersible rig
Spar	Name of cylindrical floating production platform concept
Suezmax	Oil tanker of about 150,000 Dwt
TLP	Tension leg platform
Turret	Single point mooring system with fluid transfer system (swivel)
ULCC	Ultra Large Crude Carrier
VLCC	Very Large Crude Carrier
VLGC	Very Large Gas Carrier

**APPENDICES**

Appendix I: Combined and consolidated financial statements for 2005

Appendix II: Interim report for third quarter 2006


Appendix III: Bye-laws

Appendix IV: Memorandum of Association

Appendix V: Registrar Agreement

Appendix VI: Outline of key differences between Bermudian and  
Norwegian law

Appendix I: Combined and consolidated financial statements for 2005



**PricewaterhouseCoopers AS**  
 N-0245 Oslo  
 Telephone 02316  
 Facsimile +47 23 16 10 00  
 www.pwc.com


To the Annual Shareholders' Meeting of Bergesen Worldwide Offshore Limited

**Report of the auditors**

We have audited the accompanying combined and consolidated balance sheet of Bergesen Worldwide Offshore Limited and its subsidiaries (the "Group") as of 31 December 2005 and the related combined and consolidated statements of income, cash flows, changes in shareholders' equity for the year then ended and the accompanying notes. These combined and consolidated financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying combined and consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Oslo, 26 April, 2006  
**PricewaterhouseCoopers AS**  
  
 Rita Granlund  
 State Authorized Public Accountant (Norway)

Kontor: Arvids Berges Offshore Prospekt Postboks 1000 Sandnessjøen | Boks 1000, 8050 Sandnessjøen  
 PricewaterhouseCoopers navnet refererer til individuelle medlemmer eller til det videresolgte selskapet PricewaterhouseCoopers Norge AS  
 Medlemmer av Den norske Revisjonsforening | Forvaltingsstatistikk: NO 987 209 713  
 www.pwc.no

**Bergesen Worldwide Offshore Limited**  
**Combined and Consolidated Financial Statements**

**For the financial year ended 31 December 2005**



## Bergesen Worldwide Offshore Limited

## Combined and Consolidated Income Statement

NOTES	2005 USD'000	2004 USD'000
<b>OPERATING INCOME AND OPERATING COSTS</b>		
4,20	46,203	30,670
4,20	4,851	4,809
	51,054	35,979
3,6,15	(8,424)	(6,785)
3,5	(27,910)	(21,756)
1,9,10	(8,402)	(8,895)
9	0	7,668
	<b>(44,736)</b>	<b>(29,768)</b>
	<b>Operating profit</b>	<b>6,317</b>
		<b>5,812</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>		
17	4,807	(4,492)
	1,419	1,182
16	(6,762)	(1,988)
	<b>Profit before tax</b>	<b>5,782</b>
		<b>514</b>
7	(2,890)	(1,270)
	<b>Net profit (loss)</b>	<b>2,892</b>
		<b>(757)</b>
18	2.41	(0.63)
18	2.41	(0.63)

## Bergesen Worldwide Offshore Limited

## Combined and Consolidated Balance Sheet

NOTES	ASSETS	2005 USD'000	2004 USD'000
9	Vessels, vessels under construction and vehicles	410,766	176,845
20	Finance lease receivable	22,765	23,076
10	Computer software	195	0
7	Deferred tax	741	0
	<b>Total non-current assets</b>	<b>434,467</b>	<b>199,921</b>
2	Inventories	975	4,098
5	Trade and other receivables	14,685	3,727
12	Cash and cash equivalents	36,654	32,391
	<b>Total current assets</b>	<b>52,314</b>	<b>40,206</b>
	<b>TOTAL ASSETS</b>	<b>486,781</b>	<b>240,127</b>
<b>NOTES EQUITY AND LIABILITIES</b>			
		2005 USD'000	2004 USD'000
13	Share capital	12	0
	Retained earnings	2,135	(757)
	Other equity	(87,630)	71,246
	<b>Total shareholder's equity</b>	<b>(85,483)</b>	<b>70,490</b>
15	Retirement benefit obligations	4,337	0
	<b>Total non-current liabilities</b>	<b>4,337</b>	<b>0</b>
5	Trade and other payables	52,335	11,363
7	Income tax liabilities	731	168
14	Amount due to ultimate holding corporation (non-trade)	508,327	151,690
16	Amount due to related companies	6,536	6,418
	<b>Total current liabilities</b>	<b>567,928</b>	<b>169,637</b>
	<b>Total liabilities</b>	<b>572,264</b>	<b>169,637</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>486,781</b>	<b>240,127</b>

*Ali P. P. P.*  
 Authorized Signatory  
 Executed under Power of Attorney

Bergesen Worldwide Offshore Limited

Combined and Consolidated Cash Flow Statement

NOTES	2005		2004	
	USD'000		USD'000	
		5,782	514	
		(2,928)	(1,444)	
		0	(7,668)	
		8,402	8,896	
		572	0	
		33,137	(21,147)	
		<b>44,965</b>	<b>(20,850)</b>	
		(244,730)	(90,958)	
		(206)	0	
		0	(4,744)	
		2,418	66,778	
		311	253	
		<b>(242,207)</b>	<b>(28,671)</b>	
		355,960	77,765	
		(154,455)	(35,898)	
		<b>201,505</b>	<b>41,867</b>	
		4,263	(7,654)	
		32,391	40,045	
		<b>36,654</b>	<b>32,391</b>	

Bergesen Worldwide Offshore Limited

Combined and Consolidated Statement of Changes in Shareholders' Equity

(Figures in USD'000)

NOTES	SHARE CAPITAL	RETAINED EARNINGS	OTHER EQUITY	TOTAL
	0	0	107,144	107,144
	0	0	(35,898)	(35,898)
	0	(757)	0	(757)
	0	(757)	71,246	70,490
	0	0	(154,455)	(154,455)
	0	0	(4,421)	(4,421)
	12	0	0	12
	0	2,892	0	2,892
	12	2,135	(87,630)	(85,483)

**BERGENSEN WORLDWIDE OFFSHORE LIMITED  
AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 – General**

Bergesen Worldwide Offshore Limited ("the Company") is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Bergesen Worldwide Offshore ("the Group") consists of Bergesen Worldwide Offshore Limited and its subsidiaries. The Group develops, owns, and operates oil and gas FPSOs (Floating Production, Storage and Offloading Units) and FSOs (Floating Storage and Offloading Units).

Bergesen Worldwide Limited ("BWWT") became the ultimate parent company of the FPSOs and FSOs currently owned by the Group in January 2004. BWWT and its subsidiaries are referred herein as the "BW Group". The Company was established in Bermuda in June 2005 as a wholly owned subsidiary of BW Group, to serve as the holding company for the activities within the offshore segment of the BW Group. In the second half of 2005, the Company purchased four offshore vessels and two tankers available for conversion to offshore vessels, from Bergesen Worldwide Gas ASA ("BW Gas"), an entity under common control within the BW Group, through six single purpose subsidiaries. The following vessels were purchased through funding from BW Group: (i) Sengje Berge, (ii) Berge Helene, (iii) Berge Okoloba Toru, (iv) Belokamenka, (v) BW Enterprise (ex. Folk Moon) and (vi) BW Nisa (ex. Folk Sea). The Group also established a management company, Bergesen Worldwide Offshore AS. Personnel related to the offshore business were transferred from BW Gas to the Group. The sale of the vessels and the transfer of the management operations ("the Transaction") were carried out at estimated fair value. All assets and operations transferred are managed collectively and constitute a business that is under the same ultimate ownership both before and after the transaction. Therefore, under IFRS, the Transaction is accounted for in a manner similar to pooling-of-interests in which the predecessor book values in the historical financial statements are also the values used prospectively. Accordingly, the difference between fair value of the business implied in the Transaction and the predecessor book values is presented as a distribution to BWWT. The combined and consolidated income statements, balance sheets, statements of changes in equity and cash flows statements are presented as if the current group structure has been in existence from the earliest period presented. The predecessor values are brought from the consolidated financial statements of BWWT.

In the combined and consolidated financial statements, each vessel is included either from January 2004, when BWWT became the ultimate parent company, or the date the vessel was transferred from another segment within the BW Group to the Offshore segment, where it was managed within this segment either as a FSO or FPSO or as a vessel available for conversion, whichever is the earliest date. Vessels sold during 2004 and 2005 have been included up to the date of sale and accounted for as disposition of asset upon sale. One vessel removed from the Offshore segment is included up to the date of formation of the Company and accounted for as distribution of capital to the shareholder. For 2005 distribution to BWWT was USD 154,465,000 paid in cash, and the non-cash transaction on USD 4,421,000 relates to the vessel removed from the segment. Distribution to owner in 2004 is capital reduction and group contributions to BWWT.

The financial statements were approved by the Board of Directors on 26 April 2006.

**Note 2 – Significant accounting policies**

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under

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**BERGENSEN WORLDWIDE OFFSHORE LIMITED  
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**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 – Significant accounting policies (continued)**

the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities.

All accounting standards and interpretations effective for financial year ended 31 December 2005 have been applied.

Standards, interpretations, and amendments to published standards which are not yet effective:

*IAS 19 (amendments), Employee benefit (effective from 1 January 2006).*

This amendment introduces an alternative method for treatment of actuarial gains and losses. The amendment also requires extra disclosures. The Group will consider use of the alternative accounting method for actuarial gains and losses which implies recognising the gains/losses directly to equity.

*IFRIC 4, Determining whether an arrangement contains a Lease (effective from 1 January 2006).*

IFRIC 4 deals with arrangements comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an in return for a payment or series of payments, often together with related services. This interpretation provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with IAS 17. These principles are adopted by the group as from 1 January 2006.

The following new standards, interpretations, and amendments to published standards have no material effect for the Group's financial statements:

(i) IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006)

(ii) IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006)

(iii) IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006)

(iv) IFRS 1 (Amendment), First Time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

(v) IFRS 6 Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006)

(vi) IFRS 7, Financial Instruments: Disclosures, and a complementary amendment in IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007)

(vii) IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006)

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<p style="text-align: center;"><b>BERGSEN WORLDWIDE OFFSHORE LIMITED AND ITS SUBSIDIARIES</b></p> <p style="text-align: center;"><b>NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS</b></p> <p><b>Note 2 – Significant accounting policies (continued)</b></p> <p>minority interest. Any difference between the purchase price and the fair value of net assets is recognised as goodwill.</p> <p>Subsidiaries are consolidated from the date on which control is transferred to the Group through the date on which that control ceases. In preparing the combined and consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.</p> <p><i>Joint ventures</i></p> <p>Joint ventures are entities over which the Group has contractual arrangements to jointly share the control with one or more parties. The Group's interest in joint ventures is accounted for in the combined and consolidated financial statements by proportionate consolidation. Proportionate consolidation involves combining the Group's share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.</p> <p><i>Transaction costs</i></p> <p>Costs directly attributable to an acquisition are included as part of the cost of acquisition.</p> <p><b>Tangible fixed assets</b></p> <p><i>Measurement</i></p> <p>(i) Vessels, vehicles and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.</p> <p>(ii) The cost of vessels, vehicles and equipment includes expenditure that is directly attributable to the acquisition of the items. Removal costs are included as part of the cost of vessels if the obligation for removal is incurred as a consequence of acquiring or using the asset.</p> <p>(iii) Installments on conversion projects are capitalised as vessels under construction as they are paid. Capitalised value is reclassified as vessels upon successful commissioning at oil field. The acquisition cost reported is the sum of the installments paid plus costs incurred during the construction period including imputed interest.</p> <p><i>Depreciation</i></p> <p>Depreciation is calculated using a straight-line method to allocate the depreciable amounts of vessels, vehicles and equipment, after taking into account the residual values, over their estimated useful lives, of which both the residual values and estimated useful lives are born subject to review at each balance sheet date. The useful lives of FPSOs and FSOs are 10 years, the useful lives of tankers ready for conversion are 25 years, and the useful lives of vehicles and equipment are 3 to 5 years.</p>	<p>4</p>
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<p style="text-align: center;"><b>BERGSEN WORLDWIDE OFFSHORE LIMITED AND ITS SUBSIDIARIES</b></p> <p style="text-align: center;"><b>NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS</b></p> <p><b>Note 2 – Significant accounting policies (continued)</b></p> <p><b>Revenue recognition</b></p> <p>Revenue comprises the fair value of the consideration received or receivable for the chartering and rendering of operational services related to FPSOs and FSOs.</p> <p><i>Operational services</i></p> <p>Rendring of services on FPSO and FSO operating contracts are recognised as revenue on a straight line basis based on contractual daily rates.</p> <p><i>Chartering of vessels</i></p> <p>Chartering of FPSO and FSO to customers is recognised as revenue based on whether the chartering contract is considered to be a operating or finance leases under IAS 17.</p> <p><i>Operating lease</i></p> <p>Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are recognised as revenue on a straight line basis based on contractual daily rates.</p> <p><i>Finance lease</i></p> <p>Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Assets held under a finance lease are presented in the balance sheets as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.</p> <p><i>Interest income</i></p> <p>Interest income is recognised on a time proportion basis using the effective interest method.</p> <p><i>Dividend distribution</i></p> <p>Dividend income is recognised when the right to receive payment is established.</p> <p><b>Group accounting</b></p> <p><i>Subsidiaries</i></p> <p>Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights.</p> <p>The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any</p>	<p>3</p>
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**BERGENSEN WORLDWIDE OFFSHORE LIMITED  
AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 – Significant accounting policies (continued)**

**Subsequent cost**

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

**Disposal activities**

Gains and losses that result from the disposal of vessels, vehicles and equipment are recorded on a separate line in the consolidated income statements.

**Intangible assets**

**Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other costs associated with maintaining computer software are charged to the income statement during the financial period in which they are incurred.

Acquired computer software licenses are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives not exceeding 5 years.

**Impairment of assets**

Assets including vessels, vehicles and equipment and other intangible assets, are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each FPSO and FSO is identified as a cash-generating unit.

**Leasing**

Leases are classified as finance whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. Generally, the Group has no arrangements whereby it is the lessee.

**The Group as lessor**

Assets held under a finance lease is presented in the balance sheets as a receivable at an amount equal to the net investment in the lease. The recognition of finance income on the receivable is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

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**BERGENSEN WORLDWIDE OFFSHORE LIMITED  
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**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 – Significant accounting policies (continued)**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition or conversion of vessels, which take a substantial period of time to get ready for their intended use, are added to the cost of the vessels, until such time as the vessels are substantially ready for their intended use. If the Group is not successful in the acquisition or conversion of a vessel, these costs are expensed immediately. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Trade and other receivables**

Trade and other receivables are recognised initially at originally invoiced amount and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

**Trade and other payables**

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

**Fair value estimation**

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**Inventories**

Inventories comprise mainly fuel oil remaining on board vessels. Inventories are measured at the lower of cost or net realizable value.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in borrowings on the balance sheet.

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**BERGSEN WORLDWIDE OFFSHORE LIMITED  
AND ITS SUBSIDIARIES**

**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 – Significant accounting policies (continued)**

**Provisions for other liabilities and charges**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

**Employee benefits**

*Defined benefit plans*

The Group has three defined pension schemes which are funded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

*Employee-leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

**Currency translation**

*Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Every subsidiary has United States Dollars ("USD") as functional currency, but some minor costs in local currency. Translation differences are thus immaterial and not disclosed in the equity statement. The consolidated financial statements are presented in USD.

*Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Taxes and deferred tax liabilities**

The Company is not subject to any taxation. However, some of its subsidiaries are subject to income tax in the countries in which they operate. The Group provides for tax on profit on the basis

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**BERGSEN WORLDWIDE OFFSHORE LIMITED  
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**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 2 – Significant accounting policies (continued)**

of the profit for financial reporting purposes, adjusted for non-taxable revenue and expenses. Income tax expense represents the sum of the tax currently payable and deferred tax.

The Group's liability for current tax payable is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided for, in the balance sheet and calculated on the basis of temporary differences between book and tax values that exist at the end of the financial period. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Share capital**

Ordinary shares are classified as equity.

**Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

**Note 3 – Allocations**

The Group was established in June 2005 and started its activities 15 August 2005. The combined and consolidated income statement for 2005 consist of consolidated income statement for the Group for the legal period 15 August through 31 December together with the income statement for the Offshore segment within BMW for the period 1 January through 14 August. The latter values are brought from the consolidated financial statements of BMW.

The combined and consolidated income statement is based on allocations between the Offshore segment and other segments within BW Group for the period 1 January through 14 August 2005. Similar procedures are used for the year 2004. The most significant allocations are management

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BERGENSEN WORLDWIDE OFFSHORE LIMITED  
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NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

**Note 4 – Segment information (continued)**

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

**Note 5 – Other operating expenses, receivables, and payables**

Other operating expenses	2005		2004	
	USD'000	USD'000	USD'000	USD'000
Insurance, administration, and other manning expenses	12,561		7,510	
Maintenance, spare parts, and repairs	15,349		14,246	
<b>Total</b>	<b>27,910</b>		<b>21,756</b>	

Trade and other receivables	2005		2004	
	USD'000	USD'000	USD'000	USD'000
Trade receivables	10,767		1,936	
Related Company	640		177	
Prepaid expenses	3,078		1,614	
<b>Total</b>	<b>14,685</b>		<b>3,727</b>	

Trade and other payables	2005		2004	
	USD'000	USD'000	USD'000	USD'000
Trade payables	25,685		9,935	
Accrued operating expenses <sup>*)</sup>	24,934		420	
Public duties payable	1,706		1,008	
<b>Total</b>	<b>52,335</b>		<b>11,363</b>	

<sup>\*)</sup> Increase in accrued operating expenses is due to establishment of the Company. When the Offshore segment as management fee, not represented in the accrued expenses of the offshore segment. Accrued operating expenses were included in amount due to related companies in 2004. Accrued operating expenses as well as trade payables include accrued conversion cost as at 31 December 2005 related to conversion of Berge Helene, which commenced operation in January 2006 and BW Enterprise currently under conversion.

**Note 6 – Wage Cost**

Wage cost	2005		2004	
	USD'000	USD'000	USD'000	USD'000
Wages crew	3,562		4,491	
Wages administrative personnel	3,162		1,474	
Social security tax	765		339	
Pension costs defined benefit plans (Note 16)	935		481	
<b>Total wage cost</b>	<b>8,424</b>		<b>6,785</b>	

BERGENSEN WORLDWIDE OFFSHORE LIMITED  
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NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

**Note 3 – Allocations (continued)**

expenses. Other operating costs are directly attributable to the individual vessel and are therefore not subject to allocations.

A management fee was charged from BW Group for management of the offshore activities until 14 August 2005. The fee comprised costs for personnel allocated to the segment to ensure functions for administrative, commercial, technical, and operational management. The fee was calculated based on the direct salary with a 46% gross-up for social security and pension cost. In addition, distributed costs related to office premises, IT support, canteen and other company services were allocated to the segment on a proportional basis per allocated personnel. Management fees for 2004 amount to USD 4,451,000 of which wages amounting to USD 2,295,000 are recorded in wage cost, and other management expenses amounting to USD 2,156,000 are included in other operating expenses. Management fees for the period 1 January to 14 August 2005 amount to USD 4,169,000 of which wages amounting to USD 2,193,000 are recorded in wage cost, and other management expenses amounting to USD 1,976,000 are included in other operating expenses. For the period 15 August to 31 December 2005 the management expenses total to USD 5,246,000 of which wages including social cost and pension cost, constitute USD 2,708,000.

Predecessor management expenses may not be representative of the expenses that will be incurred in future periods in which the Group operates independently of BW Group.

**Note 4 – Segment information**

**Primary reporting format – business segments**

All the activities of the Group are within one business segment, the offshore segment.

The recognised revenue is derived from ownership and operations of FPSOs and FSOs. The vessels are solely operated through firm contracts with duration up to 15 years. See Note 19 and 20 for further details.

**Secondary reporting format – geographical segments**

The Group has operations in two geographical areas, Russia and West Africa, with most of the activity taking place in West African countries. Segment information about the Group's operations is presented below.

USD'000	2005			2004		
	West Africa	Russia	Other	West Africa	Russia	Total
Revenue	42,054	9,000		29,367	6,212	35,579
Operating expenses	(40,327)	(4,403)		(44,736)	(2,707)	(28,768)
Operating profit	1,727	4,597		2,306	3,506	5,812
Interest expenses	(5,205)	(1,556)		(6,762)	(754)	(1,988)
Total non-current assets	331,718	22,765	79,984	176,845	23,076	199,921

BERGSEN WORLDWIDE OFFSHORE LIMITED  
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NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

**Note 7 – Income tax expense (continued)**

The Group's subsidiaries domiciled in Norway are subject to a tax rate of 28% within the ordinary tax system in Norway.

Tax expense for the year:

	2005 USD'000	2004 USD'000
Deferred tax income Norway	-741	0
Tax payable in Norway *)	869	0
Withholding tax Nigeria, Mauritania, Equatorial Guinea **)	2,762	1,270
<b>Income tax expense</b>	<b>2,890</b>	<b>1,270</b>

\*) Tax payable relates to the following tax base in Norway:

	2005 USD'000	2004 USD'000
Net profit in Norway	3,442	0
Permanent differences	18	0
Temporary differences	-358	0
<b>Taxable net income</b>	<b>3,102</b>	<b>0</b>
28% hereof payable tax	869	0

\*\*) Withholding tax payable to other countries is based on a deemed profit of 16-20% of gross revenue.

Tax liabilities in the balance sheet as at 31 December 2005:

	2005 USD'000	2004 USD'000
Tax payable in Norway	731	0
Withholding taxes payable	0	166
<b>Tax payable</b>	<b>731</b>	<b>166</b>

BERGSEN WORLDWIDE OFFSHORE LIMITED  
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NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

**Note 6 – Wage Cost (continued)**

	2005 USD'000	2004 USD'000
Average number of employees including seafaring personnel	213	166

Remuneration	2005 USD'000	2004 USD'000
<b>Chief Executive Officer</b>		
Remuneration	120	
Pension	23	
Bonuses	90	
<b>Key Management</b>		
Wages	206	
Pension	38	
<b>Total compensation paid to CEO and key management personnel</b>	<b>477</b>	<b>477</b>
The board of directors	0	
<b>Total remuneration</b>	<b>477</b>	<b>477</b>
Loans to Key Management	12	
Loans to employees	265	
<b>Total loans</b>	<b>287</b>	<b>287</b>

The figures for management remunerations are for the period from 15 August to 31 December. For the period 1 January to 15 August, the administration of the group has been carried out in BW Gas. Fees for key management services are expensed as wages and amounts to USD 267,000 for 2005 and USD 416,700 for 2004.

Fees to auditors are specified below:

	2005 USD'000	2004 USD'000
<b>Fees to Auditors</b>		
Statutory audit	78	31
Tax related services	95	1
<b>Total fees</b>	<b>173</b>	<b>32</b>

**Note 7 – Income tax expense**

The Company is incorporated and domiciled in Bermuda. There is no income/profit tax, withholding tax, capital gains tax, capital transfer tax payable by the Company in Bermuda.

However, The Group's subsidiaries are subject to taxation in the countries in which they operate. The Group's operational activities are subject to profit taxation rates which range from 0% up to 35%. In Equatorial Guinea, Nigeria and Mauritania, the taxes are collected through withholdings from the gross revenue derived from the operation. The withholdings are made by the client who is paying the taxes directly to the local tax authorities in the name of the Company.



BERGSEN WORLDWIDE OFFSHORE LIMITED  
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NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

**Note 9 – Tangible fixed assets**

As the ultimate parent was established in January 2004, cost price was established at that point in time, and there are no accumulated depreciation in the opening balance in 2004. The fleet as at 1 January 2004 included the following vessels: (i) Sendje Berge, (ii) Berge Helene, (iii) Berge Okoloba Toru, (iv) Belokamenka, (v) Sendje Ceiba and (vi) Berge Troll. Sendje Ceiba was sold in 2004, and Berge Troll was distributed to owner in June 2005 when the Group was established. In 4<sup>th</sup> quarter of 2005 (vii) BW Enterprise (ex. Folk Moon) and (viii) BW Nisa (ex. Folk Sea) were transferred to the Offshore segment and thus treated as additions recorded to BW Group values.

Belokamenka is accounted for as financial leases and is not included in the table below. See Note 20 for further details regarding this vessel.

2005 USD'000	Tankers	Vessels under construction	FPSOs and FSOs equipment	Vehicles and equipment	Total
Cost 1 January 2005	0	178,154	3,738	211	182,102
Additions (purchased)	11,491	218,599	13,780	861	244,730
Disposals	0	0	(3,738)	0	(3,738)
Reclassification	0	(92,429)	92,429	0	0
<b>Cost as at 31 December 2005</b>	<b>11,491</b>	<b>304,323</b>	<b>106,209</b>	<b>1,072</b>	<b>423,095</b>
Accumulated depreciation at 1 Jan. 2005	0	(4,084)	(1,173)	0	(5,257)
Depreciation charge	(149)	(1,262)	(6,927)	(54)	(8,392)
Disposals	0	0	1,319	0	1,319
Depreciation as at 31 December 2005	(149)	(5,346)	(6,780)	(54)	(12,330)
<b>Balance as at 31 December 2005</b>	<b>11,342</b>	<b>298,977</b>	<b>99,429</b>	<b>1,018</b>	<b>410,766</b>

Current year depreciation (149) 25 years  
Useful life (149) 25 years  
Depreciation Schedule Linear \*\*\*  
Capitalized interest cost vessels under construction \*\* 3,804  
Depreciation Schedule Linear \* 10 years  
3-5 years Linear

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**Note 7 – Income tax expense (continued)**

Deferred tax asset related to Norwegian activities can be specified as follows:

	2005 USD'000	2004 USD'000
<b>Deferred tax assets</b>		
Pensions	(1,214)	0
<b>Deferred tax assets - gross</b>	<b>(1,214)</b>	<b>0</b>
<b>Deferred tax liabilities</b>		
Fixed assets	43	0
Pensions	430	0
<b>Deferred tax liabilities - gross</b>	<b>473</b>	<b>0</b>
<b>Net recognised deferred tax asset (28% of basis)</b>	<b>(741)</b>	<b>0</b>

There is no deferred tax recognised directly in equity.

**Note 8 – Listing of subsidiaries in the Group**

Name of companies	Principal activities	Country of incorporation	Equity 2005 %
<b>Subsidiaries held by the Group</b>			
Belokamenka Limited	Ship-owning	Bermuda	100
Berge Carmen Limited	Ship-owning	Bermuda	100
Berge Carmen Singapore Private Limited	Investment & Holding	Singapore	100
Bergesen d.v. Offshore Nigeria Limited	Dormant	Nigeria	100
Berge Helene Limited	Ship-owning	Bermuda	100
Berge Okoloba Toru Limited	Ship-owning	Bermuda	100
Berge Troll Limited	Ship-owning	Bermuda	100
Bergesen Worldwide Offshore Malaysia Sin Ehd	Dormant	Malaysia	100
Bergesen Worldwide Mexico, S.A. de C.V.	Dormant	Mexico	100
Bergesen Worldwide Offshore AS	Management	Norway	100
Bergesen Worldwide Offshore Singapore Private Limited	Investment & Holding	Singapore	100
Ceiba Management AS	Management	Norway	100
Sendje Berge Limited	Ship-owning	Bermuda	100

The listing of subsidiaries is not applicable for 2004 as the Company and the current group structure did not exist.

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Note 10 – Intangible assets

USD'000	Computer software
Cost 1 January 2004 and 1 January 2005	0
Additions (purchased)	206
Disposals	0
<b>Cost as at 31 December 2005</b>	<b>206</b>
Accumulated amortization at 1 January 2005	0
Amortization charge	(11)
Disposals	0
Depreciation as at 31 December 2005	(11)
<b>Balance as at 31 December 2005</b>	<b>195</b>
Current year depreciation	(11)
Useful life	5 years
Amortization Schedule	Linear

Note 11 – Investment in Joint Venture Company

The Group has following investments in joint ventures:

Company	Registered Office	Holding in % 2005	Holding in % 2004
LLC Oil Terminal Berokamerka	Russia	50%	50%

The following amounts represent the Group's share of assets, liabilities, income and expenses of the joint venture and are proportionately consolidated in the Group's balance sheet and income statement on a line-by-line basis:

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Note 9 – Tangible fixed assets (continued)

2004 USD'000	Tankers	Vessels under construction	FFSOs and FSOs	Vehicles and equipment	Total
Cost 1 January 2004	0	0	153,680	211	153,891
Additions (purchased)	0	9,162	81,797	0	90,958
Disposals	0	0	(62,747)	0	(62,747)
Reclassification	0	168,992	(168,992)	0	0
<b>Cost as at 31 December 2004</b>	<b>0</b>	<b>178,154</b>	<b>3,738</b>	<b>211</b>	<b>182,102</b>
Accumulated depreciation at 1 Jan. 2004	0	0	0	0	0
Depreciation charge	0	(4,064)	(4,810)	0	(8,895)
Disposals	0	0	3,637	0	3,637
Depreciation as at 31 December 2004	0	(4,064)	(1,173)	0	(5,257)
<b>Balance as at 31 December 2004</b>	<b>0</b>	<b>174,070</b>	<b>2,565</b>	<b>211</b>	<b>176,845</b>
Current year depreciation	0	(4,064)	(4,810)	0	(8,895)
Useful life	25 years	*)	10 years	3-5 years	
Depreciation Schedule	None	Linear	Linear	Linear	
Capitalized interest cost vessels under construction**)		1,098			1,098

\*) Vessels under construction are not subject to depreciation. The figures in this column relate to depreciation of vessels incurred prior to the transfer to vessels under construction.

\*\*\*) Capitalization rate used to determine the amount of borrowing costs eligible for capitalization is LIBOR + 0.8% margin, which is the interest rate for the loan agreement with BMW (see Note 14).

\*\*\*\*) Remaining life at the time of purchase is 3 years. The residual value included in the depreciation assessment reflects that the vessel is a conversion candidate.

Sendje Ceiba was sold in 2004. Gain on the sale amounts to USD 7,668,000 and is recorded on a separate line in the income statement.

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**Note 11 – Investment in Joint Venture Company (continued)**

	2005	2004
	Oil Terminal Belokamenka	Oil Terminal Belokamenka
Revenue	6,237	4,074
Expenses	(5,522)	(3,942)
Net financial items	(652)	(14)
Profit before tax	652	118
Income tax expense	(116)	(9)
<b>Profit after tax</b>	<b>547</b>	<b>110</b>
Non-current assets	445	211
Current assets	1,408	67
<b>Total assets</b>	<b>1,853</b>	<b>308</b>
Equity	1,692	112
Non-current liabilities	0	0
Current liabilities	161	196
<b>Total Equity and liabilities</b>	<b>1,853</b>	<b>308</b>

**Note 12 – Cash and cash equivalents**

Cash and cash equivalents are denominated mainly in USD. Restricted bank deposits as at 31 December 2005 amount to USD 544,000 and relate to taxes withheld from employees.

**Note 13 – Share capital of the Company**

Share capital	2005	2004
	USD	USD
<b>Authorised</b>		
1,200,000 ordinary shares at par value 0.01 USD each	12,000	0
<b>Issued and full paid</b>		
1 January	0	0
Share issue at 7 June 2005 for cash	12,000	0
<b>31 December</b>	<b>12,000</b>	<b>0</b>

The Company has one class of ordinary shares.

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**Note 14 – Amount owed to ultimate Holding Corporation (non-trade)**

The Company's immediate and ultimate holding corporation is BWV, incorporated in Bermuda. The non-trade amount due to ultimate holding corporation, denominated in USD, is charged with interest based on LIBOR + 0.8% margin, payable on demand.

Interest paid for the period September to December 2005 amounts to USD 5,975,000, of which USD 3,804,000 is capitalised to vessels under construction and USD 2,171,000 is charged to expense.

**Note 15 – Retirement benefit obligations**

All office employees and Norwegian seafaring personnel are covered by funded defined benefit pension plans. The funding obligations connected to the pension plans are coordinated with anticipated future payments from the state pension regulations in Norway. The individual future retirement benefit includes the total of payments from the company pension plan and pension payments from the state. The plans also include survivordependants and disability pensions. The pension entitlements are accrued on a linear basis over an average service life of 30 years. The main terms for office staff pensions are 66% of final salary on attainment of retirement age of 65-67. The main condition for seafaring personnel is a pension of 50% of final salary on attainment of retirement age of 60.

The above mentioned plans have 73 members as at 31 December 2005. No other post-retirement benefits are provided.

The most recent actuarial valuations of plan assets and the defined benefit obligation were carried out at 31 December 2005 by Storebrand Actuarial Services, member of the Norwegian Institute of Actuaries.

The principal actuarial assumptions used for the balances as at 31 December 2005 were as follows:

	2005
Discount rate	4.25%
Expected return on plan assets	5.25%
Future salary increases	3.50%
Future pension increases	2.50%
Increase in social security base amount related to Norwegian state pension	2.50%

Actuarial assumptions for demographic factors such as rates for mortality and disability are based on the standard assumptions used by the Norwegian Institutes of Actuaries.

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**Note 15 – Retirement benefit obligations (continued)**

The movement in the liability recognised in the balance sheet is as follows:

	2005 USD'000
At 15 August 2005	(3,768)
Contributions paid	0
Exchange differences	34
Charged to income statement	(572)
<b>At 31 December 2005</b>	<b>(4,336)</b>

Composition of pension plan assets as at 31 December 2005:

	2005 USD'000	
Shares and equity instruments	27%	
Bonds - fixed yield	29%	
Bonds held to maturity	28%	
Properties and real estate	10%	
Loans	1%	
Certificates	4%	
Other	4%	
<b>Total</b>	<b>100%</b>	

Actual return on the pension plan assets for 2005 as at 31 December is USD 44,000.

**Note 16 – Related parties transactions**

The Group is a wholly owned subsidiary of BMW. BMW is approximately 93% owned by companies controlled by Sorimen family interests.

All transactions with related parties have been carried out as a part of the ordinary operations and at arm's length prices.

Remuneration to the Board of Directors, Auditors and key Management is detailed in Note 6.

Investments in subsidiaries are described in Note 8. Balances with joint ventures are disclosed in Note 11.

The Group was financed by the ultimate holding company which will continue to provide the resources to allow the Group to meet its obligations as they fall due. The details are described in Note 14.

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**Note 15 – Retirement benefit obligations (continued)**

The amounts recognised in the balance sheet are determined as follows:

	2005 USD'000
<b>Balance sheet obligations</b>	<b>4,337</b>
Pension benefits	4,337
<b>Income statement charge (Note 6)</b>	<b>572</b>
Pension benefits	572

The amounts recognised in the income statement are as follows:

	2005 USD'000
Present value of funded obligations	(9,002)
Fair value of plan assets	4,766
Present value of unfunded obligations	(4,216)
Unrecognised actuarial losses	(121)
<b>Liability in the balance sheet</b>	<b>(4,337)</b>

The amounts recognised in the income statement are as follows:

	2005 USD'000
Current service cost	537
Interest cost	129
Expected return on plan assets	(93)
Net actuarial gain recognised during the financial period	0
<b>Net periodic pension cost (Note 6)</b>	<b>572</b>

Bergesen Worldwide Offshore AS took over employees from related companies as at 15 August 2005. The net periodic pension cost covers the period 15 August to 31 December. Before establishment of the Group, pension costs were charged to the Offshore segment as part of operational expenses, and the pension obligation is accordingly included in amount due to related parties. Pension cost from 1 January to 15 August amounting to USD 363,000 is charged to the income statement, based on invoicing of management fee from related companies, and is not included in the figures above. Total pension cost for the period 1 January to 31 December 2005 is USD 935,000. Total pension cost for the period 1 January to 31 December 2004 invoiced as management fee amounts to USD 482,000.

Best estimate of net pension cost for 2006 amounts USD 1,425,000.

Best estimate of premium payments in 2006 amounts to USD 1,060,000.

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**Note 17 – Financial risk management (continued)**

In the period 1 January 2004 to 15 August 2005 before formation of the Group, the Group had cash deposits and loans denominated in NOK, which gave rise to the currency exchange gains/losses presented in the income statement. Predecessor gains and losses are anticipated not to be representative of the exchange gains/losses that will be incurred in future periods in which the Group operates independently of BW Group.

**Credit risk**

Several of the Company's contracts are long-term, and there can be no guarantees that the financial position of the Company's major partners will not materially change during the contracted period. Given the limited number of major partners of the Company and the significant portion they represent of the Company's income, the inability of one or more of them to make full payment on any of the Company's contracted units may have a significant adverse impact on the financial position of the Company.

Another risk factor to be addressed is whether negative reservoir development can affect the oil company's ability to fulfill its obligations also within the fixed contract. The probability for options to be exercised and extension of contracts to be entered into will be negatively affected by reduction in actual reservoir reserves. It is common for customers, i.e. the oil companies, to contract the firm period for the FPSO lease equivalent to a very high probability of the producing life of the reserves.

The existing contracts are essentially covered against these risks through termination fees, cash-flow arrangements, and financial and corporate guarantees. The company will continue its active risk management to mitigate these risk factors.

Furthermore, the Group has implemented policies to ensure that cash funds are deposited with internationally recognised financial institutions with a good credit rating.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group maintains sufficient cash for its daily operations via short-term cash deposit at banks and a commitment from the ultimate parent undertaking to make available funds from the unutilised portion of revolving facilities offered by financial institutions to its ultimate holding corporation.

**Interest rate risk**

The table below sets out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturing dates.

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**Note 16 – Related parties transactions (continued)**

The following transactions were carried out with related parties:

Related Parties	2005 USD'000	2004 USD'000
Interest expenses to group companies *)	8,483	3,727
Management, administration and rental services from BW Gas	6,569	4,309
Year-end balances		
Receivables from group companies	840	177
Payables to group companies (BW Gas)	6,536	6,418

\*) Interest expenses are related to long-term loans from Bergesen Worldwide GAS ASA in 2004 and the period from January to September 2005. The terms of the agreement are LIBOR + 1.5-2%. For the period from September to December 2005 interest is charged to expense for fund from ultimate holding company amounting to USD 2,171,000.

**Note 17 – Financial risk management**

**Financial risk factors**

The Group's activities expose it to a variety of financial risks: price risk (including currency risk and market risk), credit risk, liquidity risk and interest rate risk. Historically, demand for offshore exploration, development and production has been volatile and closely linked to the price of hydrocarbons. Low oil prices typically lead to a reduction in exploration as the oil companies scale down their own investment budgets. Most of the Company's units are fixed on long-term contracts, and this, to some extent, reduces the Company's exposure against intermediate oil and gas fluctuations. Nevertheless, a decrease in the oil prices may have an adverse impact on the financial position of the Company.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management team identifies and evaluates financial risks in close co-operation with the Group's operating units. The risk management team is governed by written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

**Foreign exchange risk**

The Group's current businesses have USD as their primary functional currency. Practically all operating revenue, interest bearing debt and contractual obligations for vessels under construction are denominated in USD. The Group's vessels are also valued in USD when trading in the second-hand market. The Group is exposed to expenses incurred in currencies other than USD, the major currencies being Norwegian Kroner ("NOK") and Singapore Dollars ("SGD"). In the Group's current activities, expenses denominated in NOK and SGD constitute a minor part of total operating expenses. Therefore, fluctuations in the exchange rate of NOK and SGD have no significant effects for the financial statements of the Group.

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**Note 17 – Financial risk management (continued)**

	Repricing/maturity date		Total
	Less than 6 months USD'000	Non-interest bearing USD'000	
<b>The Group - At 31 December 2005</b>			
<b>Assets</b>			
Cash and cash equivalents	36,654	0	36,654
Trade and other receivables current	0	14,685	14,685
<b>Liabilities</b>			
Due to Ultimate Holding company	508,327	0	508,327
Trade and other payables	0	52,335	52,335
<b>Total</b>	<b>544,981</b>	<b>67,020</b>	<b>612,001</b>

Average interest rate on cash deposits is 4.2%.

Financial assets and liabilities are short term with floating rate, and therefore there is no material difference between carrying value and fair value.

**Note 18 – Earnings per share**

Basic and diluted earnings per share are calculated by dividing net profit of the year by the weighted average number of ordinary shares outstanding during the year as if the shares have been outstanding since 1 January 2004.

Basic and diluted earnings per share are shown in a separate line in the income statement.

**Note 19 – Commitments**

Capital expenditure related to conversion projects contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	2005 USD'000	2004 USD'000
Nominal amount	344,611	172,050
Net present value	326,998	163,999
Interest rate	4.7%	4.7%

**Note 20 – Leases**

The group has entered into lease contracts as lessor. The contracts are described below.

**Operating leases**

The FPSO Sendje Berge has been committed for a 4 years firm lease at the Okwori field in Nigeria. The operation commenced in April 2005 and the client has an option to extend the charter for 4 years.

The FPSO Berge Okoloba Toru is on a firm 4 years lease contract in Nigeria. The operation started in February 2005, and the client has an option to extend the contract period for 4 years. The client has a purchase option to buy the vessel at a value based on declining purchase prices.

The FPSO Berge Helene commenced operations in Mauritania January 2006 on a firm 7 years lease contract with up to additional 8 one year options. The client has a purchase option that can be exercised throughout the contract until 6 months before the expiration of the prevailing terms. The purchase option value is based on declining purchase prices.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are set out in the table below. The future minimum lease payments for Berge Helene are included in the figures.

	2005 USD'000	2004 USD'000
Not later than one year	89,969	36,511
Later than one year and not later than five years	310,549	347,082
Later than five years	114,778	169,214
<b>Total nominal amount</b>	<b>515,296</b>	<b>551,807</b>

Net present value 438,813 446,758  
Rate 4.7% 4.7%

**Financial leases**

BW Enterprise is currently under conversion, and will be ready for delivery to customer and operation in Mexico 2007. BWW has signed a 15 years firm lease contract with the customer. The vessel will be automatically transferred to the customer at the end of the lease term without compensation. The net present value of the minimum lease payments, amount to substantially all of the fair value of the vessel at the inception of the lease. In addition, the firm contract period is for the major part of the economic life of the asset. Accordingly, this contract is classified as a finance lease, and will be accounted for as such from the inception of the lease term. BWW will enter into an agreement with the Group for the future subcontracting to the effect that the Group will deliver assets and services and receive the financial benefit of the contract with Pemex. As of 31 December 2005 such agreements are not in place. The vessel is therefore presented under the caption vessel under construction in the 2005 balance sheet. When the subcontracts are in place, the finance lease contract will be treated as a construction contract in accordance with the requirements in IAS 11. It will be recognised as a finance lease receivable when the vessel is commissioned at the commencement of the lease term.

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**Note 20 – Leases (continued)**

With effect from February 2004, the arctic FSO Belokamenka commenced on a 15 year transportation agreement with the customer. The vessel is leased from the group on a bare boat agreement to the joint venture company OOO Oil Terminal Belokamenka, which has the agreement with the customer. The group's partner in the joint venture is a related company of the customer. The net present value of the minimum lease payments under the transportation agreement amounts to substantially all of the fair value of the vessel at the inception of the lease. In addition, the firm contract period is for the major part of the economic life of the asset. Accordingly, this contract is classified as a finance lease. The customer has continuous purchase options each quarter after the initial 5 years of the contract.

The future minimum lease payments receivable under finance leases are shown in the table below. The future minimum payments related to BW Enterprise are not included in the figures.

	2005	2004
	USD'000	USD'000
Not later than one year	5,163	5,163
Later than one year and not later than five years	15,488	15,488
Later than five years	46,463	51,626
<b>Gross receivables from finance leases</b>	<b>67,114</b>	<b>72,277</b>
Unearned future finance income on finance leases	(41,349)	(49,201)
<b>Net investment in finance leases</b>	<b>22,765</b>	<b>23,076</b>

**Note 21 – Disputes**

There is an ongoing dispute in London between Sendje Berge Ltd, and Addax Petroleum Exploration (Nigeria) Ltd under Contract ETB-0001 for the provision of Okwori FPSO. Sendje Berge Ltd claim Interim Day Rate in the sum of USD 2,883,100 together with interest and costs. The disputed amount is recognised in revenue and included in trade receivables as at 31 December 2005.

The parties have mutually agreed a simplified dispute resolution procedure with a sole arbitrator deciding the case based on documents only. Thus, the costs involved are rather limited.

The Group is optimistic as to the outcome of the case. The Group's management does not consider that the claim has merit, and no allowances are recognised as management does not consider that there is any probable loss.

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NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

**Note 22 – Accounting estimates and assessments**

The following is a summary of which assessments, estimates, and assumptions could have a material effect on the accounts.

**Vessels**

*Useful life*

The level of depreciation depends on the estimated useful economic life of the vessels. The estimated useful life is based on previous experience and knowledge of the vessels owned by the Company.

*Residual value at the end of useful life*

Depreciation depends on the estimated residual value at the balance date. Assumptions about residual value are based on knowledge of scrap values for FPSOs and FSOs. Scrap values depends on steel prices and demobilization costs. Demobilization costs are covered by the lease contracts.

*Impairment*

The Company has assessed at the balance sheet date whether there is any indication that a vessel may be impaired. The assessment is based on contracted cash flows discounted by an estimated discount rate. If any such indication exists, the Company will estimate the recoverable amount of the asset. However, no such indications are identified.

**Lease contracts**

Classification of lease contracts as operating leases or finance leases depends on the following assumptions:

As at the date of inception of the lease, a lease contract is classified as either an operating or a finance lease.

The lease term is the "non-cancellable period" for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

The lessee's purchase option should also be taken into consideration in the classification of the lease contracts, if it is not reasonably certain that the option will be exercised, the option will not be a part of the basis for classification. If the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable, the exercise of the option is regarded reasonably certain.

The evaluation of the term reasonably certain involves estimation and judgement. The estimated useful life of the vessels described above is also relevant in relation to evaluating lease contracts.

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**NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**

**Note 22 – Accounting estimates and assessments (continued)**

**Retirement benefit obligations**

Accounting for defined benefit plans is complex because it requires both actuarial and economic assumptions to be estimated. Moreover, the obligations are measured on a discounted basis because they may be settled many years after the employees render the related service.

The calculation of pension obligations is mainly affected by assumptions about the discount rate. The discount rate is based on 10-year government bond rate in Norway and estimated duration of the pension obligations. A 1% decrease in the discount rate could imply an increase in present value of funded obligations of approximately 20-25%. This will not imply an immediate increase in the pension cost, recognised in profit and loss due to the fact that actuarial gains/losses are recognised over the expected average remaining working lives of the employees.

**Note 23 – Subsequent events**

BW Enterprise is currently under conversion, and will be ready for delivery to customer and operation in Mexico 2007. The parent company, BMW, has signed a 15 years firm lease contract with the customer. As of 31 December 2005 the agreements subcontracting the customer contract to the Group from the parent company is not in place. The vessel is therefore presented under the caption vessel under construction in the 2005 balance sheet. However, BMW has entered into an agreement with the Group on 24 April 2006 for the future subcontracting to the effect that the Group will deliver assets and services and receive the financial benefit of the contract with Pemex. For further details see note 20.

As at 31 December 2005 the Group has net liabilities and significant capital commitments. In April 2006, USD 150,000,000 of the debt owing by the Company to BMW was converted into the Company's common shares and into contributed surplus shareholder equity. See note 14 for further details regarding this loan.



Appendix II: Interim report for third quarter 2006



BERGESEN WORLDWIDE OFFSHORE LTD GROUP  
INTERIM FINANCIAL INFORMATION  
THIRD QUARTER 2006

Combined and Consolidated Balance Sheet

NOTES	(in USD million)	Year to date		2005
		3Q 2006	3Q 2005	
<b>ASSETS</b>				
4	Vessels, vessels under construction and vehicles	402.0	262.8	410.8
5	Finance lease receivables	22.5	22.8	22.8
	Other long-term receivables	2.9	0.0	0.0
	Computer software	1.1	0.0	0.2
	Deferred tax asset	0.9	0.2	0.7
	<b>Total non-current assets</b>	<b>429.3</b>	<b>285.9</b>	<b>434.5</b>
	Inventories	4.4	0.5	1.0
	Trade and other receivables	38.4	7.8	14.7
4	Project receivable	247.2	0.0	0.0
10	Derivatives	3.3	0.0	0.0
4	Pre-payment on vessel	1.6	0.0	0.0
	Cash and cash equivalents	116.6	32.5	36.7
	<b>Total current assets</b>	<b>411.4</b>	<b>40.9</b>	<b>52.3</b>
	<b>TOTAL ASSETS</b>	<b>840.7</b>	<b>326.7</b>	<b>486.8</b>
<b>LIABILITIES AND EQUITY</b>				
	Share capital	2.1	(0.0)	0.0
	Share premium reserve	465.9	0.0	0.0
	Retained earnings	(84.6)	(61.9)	(85.5)
5	<b>Total equity</b>	<b>383.4</b>	<b>(61.9)</b>	<b>(85.5)</b>
6	Long-term loan facility	396.4	0.0	0.0
	Retirement benefit obligations	4.1	0.0	4.3
	Deferred tax liabilities	0.0	0.0	0.0
	<b>Total non-current liabilities</b>	<b>400.5</b>	<b>0.0</b>	<b>4.3</b>
	Trade and other payables	56.3	19.9	52.3
	Income tax liabilities	0.5	0.7	0.7
6	Amount due to ultimate parent company (non-made)	0.0	367.3	508.3
	Amount due to other related companies	0.0	0.0	0.7
	<b>Total current liabilities</b>	<b>56.8</b>	<b>388.6</b>	<b>567.0</b>
	<b>Total liabilities</b>	<b>457.3</b>	<b>386.6</b>	<b>572.2</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>840.7</b>	<b>326.7</b>	<b>486.8</b>



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Combined and Consolidated Income Statement

NOTES	(in USD million)	Current period		Year to date		2005
		3Q 2006	3Q 2005	3Q 2006	3Q 2005	
<b>OPERATING INCOME AND OPERATING COSTS</b>						
2	Charter fee	30.9	16.0	75.7	34.6	46.2
4	Construction contract revenue	70.6	0.0	247.2	0.0	0.0
2,5	Less: interest	1.2	1.5	3.6	4.0	4.9
	<b>Revenues</b>	<b>102.9</b>	<b>17.5</b>	<b>328.5</b>	<b>38.6</b>	<b>51.1</b>
	Administrative expenses	(5.1)	(1.4)	(16.4)	(4.9)	(7.5)
	Operating expenses	(8.0)	(8.1)	(31.4)	(16.4)	(23.8)
4	Construction contract expenses	(7.0)	0.0	(247.2)	0.0	0.0
	<b>Operating expenses</b>	<b>(83.9)</b>	<b>(9.5)</b>	<b>(295.0)</b>	<b>(23.3)</b>	<b>(36.3)</b>
	<b>Operating profit before depreciation</b>	<b>19.0</b>	<b>8.0</b>	<b>31.5</b>	<b>15.3</b>	<b>14.7</b>
4	Depreciation and amortization	(6.3)	(2.4)	(21.1)	(5.1)	(8.4)
	<b>Operating profit</b>	<b>10.7</b>	<b>5.6</b>	<b>10.4</b>	<b>10.2</b>	<b>6.3</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>						
	Currency exchange gain (loss) - net	0.0	(0.0)	(1.0)	4.3	4.8
	Interest income	1.7	1.9	3.1	2.2	1.4
10	Fair value gains on financial instruments	3.3	0.0	3.3	0.0	0.0
	Interest expense	(3.1)	(3.1)	(10.0)	(5.6)	(6.6)
	<b>Profit before tax</b>	<b>12.6</b>	<b>4.3</b>	<b>5.8</b>	<b>11.0</b>	<b>5.8</b>
3	Income tax expense	(1.5)	(0.8)	(4.9)	(1.8)	(2.9)
	<b>Net Profit (loss)</b>	<b>11.1</b>	<b>3.5</b>	<b>1.0</b>	<b>9.2</b>	<b>2.9</b>
	<b>Basic earnings (loss) per share (USD)</b>	<b>0.05</b>	<b>2.96</b>	<b>0.01</b>	<b>7.70</b>	<b>2.39</b>
	<b>Diluted earnings (loss) per share (USD)</b>	<b>0.05</b>	<b>2.95</b>	<b>0.01</b>	<b>7.70</b>	<b>2.39</b>



Condensed Combined and Consolidated Statement of Changes in Equity			
(in USD million)	Unaudited 30.2006	Unaudited 30.2005	2005
Equity opening balance	368.7	70.5	70.5
Distribution to owner (assets and cash)	0.0	(141.6)	(158.9)
New equity	3.6	0.0	0.0
Profit / (loss) for the period	11.1	9.2	2.9
Equity as at period end	383.4	(61.9)	(85.5)

### Condensed Combined and Consolidated Cash Flow Statement

(in USD million)	Unaudited 30.2006	Unaudited 30.2005	2005
Net cash flow from operations	(10.5)	21.0	45.0
Net cash flow from investing activities	(289.1)	(60.9)	(242.2)
Net cash flow from financing activities	349.5	70.0	201.5
Net change in cash and cash equivalents	79.9	0.1	4.3
Cash and cash equivalents 1 January	36.7	32.4	32.4
<b>Cash and cash equivalents end of period</b>	<b>116.6</b>	<b>32.5</b>	<b>36.7</b>



### Notes to the interim financial report Q3 - 2006

#### Note 1 – Basis for preparation of condensed combined and consolidated financial information

Bergesen Worldwide Offshore Limited ("the Company") is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

Bergesen Worldwide Offshore ("the Group") consists of Bergesen Worldwide Offshore Limited and its subsidiaries. The Group develops, owns, lease, and operates oil and gas FPSOs (Floating Production, Storage and Offloading Units) and FSOs (Floating Storage and Offloading Units).

The condensed combined and consolidated interim financial information (hereafter "the Interim Financial Information") of Bergesen Worldwide Offshore Ltd has been prepared in accordance with the International Accounting Standard IAS 34. The Interim Financial Information should be read in conjunction with Combined and Consolidated Financial Statements for the year 2005 ("The Annual Financial Statements") as they provide an update of previously reported information. The accounting policies applied in this Interim Financial Information and the presentation of the Interim Financial Information are consistent with those as applied in the Annual Financial Statements.

The Board of Directors approved the Interim Financial Information on 21 November 2006.

Standards, interpretations, and amendments to published standards effective as of January 1, 2006:

IFRIC 4, Determining whether an arrangement contains a Lease (effective from 1 January 2006).

IFRIC 4 deals with arrangements comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use in return for a payment or series of payments, often together with related services. This interpretation provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with IAS 17. These principles are adopted by the group as from 1 January 2006. As of 30 September 2006 these principles have not had an effect on the financial information presented.

Standards, interpretations, and amendments to published standards which are not yet effective:

Management has assessed that there are no new IFRS accounting standards, interpretations or amendments that will have a significant effect on the financial statements.

#### Note 2 – Segment information

Primary reporting format – business segments

All the activities of the Group are within one business segment: the offshore segment.

The recognised revenue is derived from ownership and operations of FPSOs and FSOs. The vessels are solely operated through firm contracts with duration up to 15 years.



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the FPSO no later than 30 days after acceptance date. The remaining 50% shall be paid in monthly instalments during the 15 year contract.  
Belokamenka is accounted for as a financial lease and is not included in the table below. Amortization of software amounting to USD 128,012 in 2006 is not included in the table.

Accumulated 3Q 2006 (in USD million)	Tankers	Vessels under construction	FPSOs and FPSOs	Vehicles and equipment	Total
Cost 1 January 2006	11.5	304.3	106.2	1.0	423.0
Additions (purchased)	4.9	247.0	6.8	0.7	259.4
Disposals	0.0	(247.1)	0.0	0.0	(247.1)
Reclassification *)	0.0	(230.3)	230.3	0.0	0.0
<b>Cost as at 30 September 2006</b>	<b>16.4</b>	<b>73.9</b>	<b>343.3</b>	<b>1.7</b>	<b>435.3</b>
Accumulated depreciation at 1 Jan. 2006	(0.2)	(5.3)	(6.8)	0.0	(12.3)
Depreciation charge	(0.1)	0.0	(20.6)	(0.3)	(21.0)
Disposals	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	3.2	(3.2)	0.0	0.0
Depreciation as at 30 September 2006	(0.3)	(2.1)	(30.6)	(0.3)	(33.3)
<b>Balance as at 30 September 2006</b>	<b>16.1</b>	<b>71.8</b>	<b>312.7</b>	<b>1.4</b>	<b>402.0</b>
Current year depreciation	(0.1)	0.0	(20.6)	(0.3)	(21.0)
Capitalized interest cost vessels under construction		1.8			1.8

\*) Berge Helene started operations in February 2006.

Accumulated 3Q 2005 (in USD million)	Tankers	Vessels under construction	FPSOs and FPSOs	Vehicles and equipment	Total
Cost 1 January 2005	0.0	178.2	3.7	0.2	182.1
Additions (purchased)	0.0	93.2	0.0	0.3	93.5
Disposals	0.0	(3.7)	0.0	0.0	(3.7)
Reclassification *)	0.0	(102.6)	102.6	0.0	0.0
<b>Cost as at 30 September 2005</b>	<b>0.0</b>	<b>168.8</b>	<b>102.6</b>	<b>0.5</b>	<b>271.9</b>
Accumulated depreciation at 1 Jan. 2005	0.0	(4.1)	(1.2)	0.0	(5.3)
Depreciation charge	0.0	(0.4)	(4.7)	0.0	(5.1)
Disposals	0.0	0.0	1.3	0.0	1.3
Depreciation as at 30 September 2005	0.0	(4.5)	(4.6)	0.0	(9.1)
<b>Balance as at 30 September 2005</b>	<b>0.0</b>	<b>164.3</b>	<b>98.0</b>	<b>0.5</b>	<b>262.8</b>
Current year depreciation	0.0	(0.4)	(4.7)	0.0	(5.1)
Capitalized interest cost vessel under construction		0.8	3.5		4.3

\*) Sendje Berge started operations in February 2005.



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**Note 3 – Tax expenses**

The Company is incorporated and domiciled in Bermuda. There is no income/profit tax, withholding tax, capital gains tax, capital transfer tax payable by the Company in Bermuda.

However, The Group's subsidiaries are subject to taxation in the countries in which they operate. In Nigeria, Russia and Mauritania, the taxes are collected through withholdings from the gross revenue derived from the operation. The withholdings are made by the client who is paying the taxes directly to the local tax authorities in the name of the Company. The Group is paying withholding taxes regardless of whether the operations are profitable due to the fact that the taxation is based on a deemed profit.

**Note 4 – Vessels**

*Comments 2005:*

The fleet as at 30 September 2005 included the following vessels: (i) Sendje Berge, (ii) Berge Helene (under construction), (iii) Berge Okoloba Tou and (iv) Belokamenka. Berge Troll was disposed of as distribution to owner in June 2005.

Investments in first, second and third quarter of 2005 relate mainly to on-going conversion projects

*Comments 2006:*

The fleet as per 30 September 2006 included the following vessels: (i) Sendje Berge, (ii) Berge Helene, (iii) Berge Okoloba Tou, (iv) Belokamenka, (v) BW Nissa, (vi) BW Enterprise (under conversion), (vii) BW Endeavour (under conversion) and (viii) FPSO LPG 1 (under conversion).

Investments (additions) as per the third quarter of 2006 relate mainly to conversion projects except for investment in BW Endeavour (former FPSO Whakatara) in May 2006 and FPSO LPG 1 in June 2006. Total investments in these conversion candidates amount to USD 48.75 million. The Group has entered into an agreement to buy MT Genie (to be renamed BW Pioneer) with delivery in January 2007. A deposit of 10% amounting to USD 1.5 million is paid in advance. The deposit is classified as a current asset in the balance sheet.

On 24 February 2006, Berge Helene received first oil on the Chinguetti field offshore Mauritania. The FPSO has since then while under commissioning and up to 12 April received a contractual full waiting rate. Since April 12 the FPSO has received a day rate that covers the operating costs until final acceptance by the customer was achieved on 4 May 2006. As from 4 May the Berge Helene has received a contractual full lease rate.

Project costs related to BW Enterprise were in 1Q 2006 presented under the captioned vessel under construction due to the fact that the Group had no customer contract related to this vessel at that time. The parent company, Bergesen Worldwide Ltd ("BWW"), has signed a 15 years firm lease contract with the customer ("Pemex Contract"). In 2Q 2006, BWW subcontracted the Pemex Contract to the Group to the effect that the Group will deliver assets and services and receive the financial benefit of the Pemex Contract. The contract is defined as a financial lease contract according to IAS 17 (Leases). The vessel will be delivered to BWW in March/April 2007 with final delivery to the customer in April 2007. In 3Q 2006, the project costs are recognised in profit and loss as contract costs according to IAS 11 (Construction Contracts). On account of this, the 3Q 2006 table below does not include BW Enterprise. Revenue related to the Pemex Contract is recognised only to the extent of contract costs incurred. No profit is recognised as total contract revenue cannot be measured reliably. This is due to details related to tax issues in the contract with BWW not being finalized and critical stages of the conversion project not being completed. Recognized contract revenue and contract costs incurred amount to USD 247.1 million. The contract between Pemex and BWW Limited states the payment of 50% of the full contract price of



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**Note 6 – Borrowings**

In May the Company accepted a fully committed underwritten offer for a USD 500 million 6 year unsecured revolving loan facility. The facility was later increased to USD 600 million. USD 400 million was drawn from this facility in July to refinance the outstanding debt to BW Limited. The facility has a grace period until 2011 in when the facility will be reduced by USD 200 million.

The loan is charged with interest based on LIBOR + 0.975 % margin, payable on demand. In addition, a commitment fee of 0.4% of available, but undrawn, facility is charged.

Interest paid for the period July to September 2006 amounts to USD 6.8 million, of which USD 3.7 million is recognised as project costs. The basis for recognising interest as project cost is the capital committed to the conversion projects, using the same interest and terms as the company pays on the above credit facility.

**Note 7 – Leases**

The group has entered into lease contracts as lessor. The contracts are described below.

*Operating leases*

The FPSO Sengle Berge has been committed for a 4 years firm lease at the Okwori field in Nigeria. The operation commenced in April 2005 and the client has an option to extend the charter for 4 years.

The FPSO Berge Okoloba Tou is on a firm 4 years lease contract in Nigeria. The operation started in February 2005, and the client has an option to extend the contract period for 4 years. The client has a purchase option to buy the vessel at a value based on declining purchase prices.

The FPSO Berge Helene commenced operations in Mauritania in January 2006 on a firm 7 years lease contract with up to 8 additional one year options. The client has a purchase option that can be exercised throughout the contract until 6 months before the expiration of the prevailing terms. The purchase option value is based on declining purchase prices.

In March, the Group entered into a contract for BW Nisa as an FSO with Yalta Holdings (Bermuda) Ltd. The contract is for a period of 18 months and operations started June 7, 2006. The contract is mutually cancellable with a 6 months notice. However, the charterer can only give their cancellation notice 6 months after delivery of vessel under the contract.

*Financial leases*

BW Enterprise is currently under conversion, and will be ready for delivery to customer and operation in Mexico 2007. BWV has signed a 15 years firm lease contract with the customer. The vessel will be automatically transferred to the customer at the end of the lease term without compensation. The net present value of the minimum lease payments, amount to substantially all of the fair value of the vessel at the inception of the lease. In addition, the firm contract period is for the major part of the economic life of the asset. Accordingly, this contract is classified as a finance lease, and will be accounted for as such from the inception of the lease term. BWV will enter into an agreement with the Group for the future subcontracting to the effect that the Group will deliver assets and services and receive the financial benefit of the contract with Pemex. As of 31 March 2006 such agreements was not in place. The vessel was therefore in 1Q 2006 presented under construction in the 2006 balance sheet. In 2Q 2006, the subcontracts are in place, and the finance lease contract is treated as a construction contract in accordance with the requirements in IAS 11.

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**Note 5 – Equity**

On 24 April 2006, USD 150 million of the debt owed by the Company to Bergen Worldwide Ltd ("BWV") was converted into the Company's common shares and into contributed surplus share/clear equity. A total of 118,800,000 shares at a nominal value of USD 1,188,000 were issued as a result of the transaction.

On 25 April 2006, the Company carried out a private placement providing net proceeds of USD 291 million in new equity to the Company. A total of 78,947,368 shares at a nominal value of USD 789,474 were issued as a result of the transaction.

As a part of the agreement to purchase rights and obligations related to FPSO Whaakaropai, the former owner of the FPSO, Spenser Energy, was invited to subscribe for 6,118,421 ordinary shares at a price of USD 3.80 per share. These shares were issued in May 2006.

*Share capital summarized:*

	Number of shares (in thousands)	Share capital USD'000	Share premium USD'000	Total
<b>At 1 January 2006</b>	1,200	12	0	12
Debt conversion April 2006	118,800	1,188	148,812	150,000
Issue of share capital April 2006	78,947	789	299,211	300,000
Expenses of issue April 2006	0	0	(8,679)	(8,679)
Issue of share capital May 2006	6,118	61	23,189	23,250
<b>At 30 June 2006</b>	<b>205,066</b>	<b>2,051</b>	<b>462,332</b>	<b>464,383</b>
Establishment of ESOP* in Sept 2006 <sup>1)</sup>	970	1	3,562	3,563
<b>At 30 September 2006</b>	<b>206,035</b>	<b>2,052</b>	<b>465,894</b>	<b>467,946</b>

\*The total authorised number of shares is 205,065,789 with a par value of USD 0.01. All issued shares are fully paid. The establishment of ESOP in September 2006 will result in the issuing of an additional 1,329,195 shares (of which 969,594 shares was committed in September 2006).

Employee stock owning programme (ESOP). In connection with the listing of Bergen Worldwide Offshore Limited (BWO) on the Oslo Stock Exchange, BWO resolved to offer the employees of Bergen Worldwide Offshore AS (BWO AS) shares in BWO. The employees were offered shares in BWO for an amount corresponding to 1/3 of their annual salary at the time of the listing.

The employees have undertaken not to sell the shares during the period of three years as from the date of the purchase and the shares will be attached with a lock-up corresponding. BWO is offering a loan for the purposes of financing the share acquisition. No repayment of the loan will be required during the lock-up period of three years. There will be calculated interest on the loan corresponding to the interest rate applicable to favourable loans to employees at any given time, cf. Section 5-12, Sub-section 4, of the Tax Act. If the employee remains in employment with BWO AS after the end of the three-year period, BWO will pay a bonus to the employee corresponding to the loan. If the employee resigns prior to the three-year period, the employee will have to repay the loan in its entirety upon the discontinuation of employment.

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According to IAS 11 it will be recognised as a finance lease receivable when the vessel is commissioned at the commencement of the lease term. See note 4 for further details.

With effect from February 2004, the arctic FSO Belokamenka commenced on a 15 year transhipment agreement with the customer. The vessel is leased from the Group on a bare boat agreement to the joint venture company OOO Oil Terminal Belokamenka, which has the agreement with the customer. The Group's partner in the joint venture is a related company of the customer. The net present value of the minimum lease payments under the transhipment agreement amounts to substantially all of the fair value of the vessel at the inception of the lease. In addition the firm contract period is for the major part of the economic life of the asset. Accordingly, this contract is classified as a finance lease. The customer has continuous purchase options each quarter after the initial 5 years of the contract.

**Note 8 – Commitments**

Capital expenditure related to conversion projects and acquisition of new vessels contracted for at the balance sheet date but not recognised in the financial statements are USD 185.6 million.

**Note 9 – Shareholders as at 30 September 2006**

The Group is a subsidiary of BWW, owned 56.81 % as at 30 September 2006. BWW is approximately 93% owned by Solimen family interests.

**Note 10 – Derivatives**

Derivatives are valued at market value as at 30 September 2006 and the net change in market value is recorded at income statement. The market value assessment is performed by a Norwegian finance institution.

# Appendix III: Bye-laws

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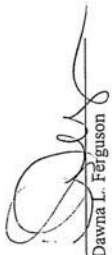
BYE-LAWS

of

**BW Offshore Limited**  
(the "Company")

I, Dawna L. Ferguson, Secretary of the Company, DO HEREBY CERTIFY that the attached is a true and correct copy of the Bye-laws of the Company adopted in substitution for and to the exclusion of all the existing Bye-Laws of the Company which were adopted by the Directors and Members by way of unanimous written consent in lieu of meetings effective 20 April 2006.

Dated: This 4<sup>th</sup> day of January, 2007.

By:   
Dawna L. Ferguson  
Secretary



BYE-LAWS

of

**BW Offshore Limited**

(Adopted pursuant to Written Resolution passed by the Sole Member on 20<sup>th</sup> April, 2006)

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4. Rights Attaching to Shares	34. Adjournment of General Meeting	66. Annual Audit	<b>1.1</b> In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:
5. Calls on Shares	35. Written Resolutions	67. Appointment of Auditors	<b>Act</b>
6. Prohibition on Financial Assistance	36. Directors' Attendance at General Meetings	68. Remuneration of Auditors	the Companies Act 1981 as amended from time to time;
7. Forfeiture of Shares	37. Election of Directors	69. Duties of Auditors	<b>Alternate Director</b>
8. Share Certificates	38. Term of Office of Directors	70. Access to Records	an alternate director appointed in accordance with these Bye-laws;
9. Fractional Shares	39. Alternate Directors	71. Financial Statements	<b>Auditor</b>
<b>Registration of Shares</b>	40. Removal of Directors	72. Distribution of Auditors Report	includes an individual or partnership;
10. Register of Members	41. Vacancy in the Office of Director	73. Vacancy in the Office of Auditor	the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
11. Registered Owner Absolute	42. Remuneration of Directors	<b>Voluntary Winding-Up and Dissolution</b>	the company for which these Bye-laws are approved and confirmed;
12. Transfer of Registered Shares	43. Defect in Appointment of Director	74. Winding-Up	a director of the Company and shall include an Alternate Director;
13. Transmission of Registered Shares	44. Directors to Manage Business	<b>Changes to Constitution</b>	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the
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- 1.2 In these Bye-laws, where not inconsistent with the context:
- (a) words denoting the plural number include the singular number and vice versa;
  - (b) words denoting the masculine gender include the feminine and neuter genders;
  - (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
  - (d) the words:
    - (i) "may" shall be construed as permissive; and
    - (ii) "shall" shall be construed as imperative; and
  - (e) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.
- 1.3 In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.
- 1.4 Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

**SHARES**

**2. Power to Issue Shares**

- 2.1 Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine.

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- Register of Members as one of such joint holders or all of such persons, as the context so requires;
- notice written notice as further provided in these Bye-laws unless otherwise specifically stated;
- Officer any person appointed by the Board to hold an office in the Company;
- Register of Directors and Officers the register of directors and officers referred to in these Bye-laws;
- Register of Members the register of members referred to in these Bye-laws;
- Registrar DnB NOR Bank ASA, acting through its Registrar's Department (known as "Verdipapirservice");
- Resident Representative any person appointed to act as resident representative and includes any deputy or assistant resident representative;
- Secretary the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary, and
- VPS the Norwegian Central Securities Depository (known as "Verdipapirsentralen").

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**2.2** Without limitation to the provisions of Bye-law 4, subject to the provisions of the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board before the issue or conversion.

**3. Power of the Company to Purchase its Shares**

The Company may purchase its own shares in accordance with the provisions of the Act on such terms as the Board shall think fit. The Board may exercise all the powers of the Company to purchase all or any part of its own shares in accordance with the Act.

**4. Rights Attaching to Shares**

**4.1** At the date these Bye-laws are adopted, the share capital of the Company shall consist of common shares of par value US\$0.01 each (the "Common Shares").

**4.2** The holders of Common Shares shall, subject to the provisions of these Bye-laws (including, without limitation, the rights attaching to any Preference Shares that may be authorised for issue in the future by the Board pursuant to Bye-law ):

- (a) be entitled to one vote per share;
- (b) be entitled to such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

**4.3** The Board is authorised to provide for the issuance of one or more classes of preference shares in one or more series (the "Preference Shares"), and to establish

from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof (and, for the avoidance of doubt, such matters and the issuance of such Preference Shares shall not be deemed to vary the rights attached to the Common Shares or, subject to the terms of any other series of Preference Shares, to vary the rights attached to any other series of Preference Shares). The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) the number of shares constituting that series and the distinctive designation of that series;
- (b) the dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of the payment of dividends on shares of that series;
- (c) whether that series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights;
- (d) whether that series shall have conversion or exchange privileges (including, without limitation, conversion into Common Shares), and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board shall determine;

- (e) whether or not the shares of that series shall be redeemable or repurchaseable, and, if so, the terms and conditions of such redemption or repurchase, including the manner of selecting shares for redemption or repurchase if less than all shares are to be redeemed or repurchased, the date or dates upon or after which they shall be redeemable or repurchaseable, and the amount per share payable in case of redemption or repurchase, which amount may vary under different conditions and at different redemption or repurchase dates;
- (f) whether that series shall have a sinking fund for the redemption or repurchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) the right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Company or any subsidiary, upon the issue of any additional shares (including additional shares of such series or any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Company or any subsidiary of any issued shares of the Company;
- (h) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment of shares of that series; and
- (i) any other relative participating, optional or other special rights, qualifications, limitations or restrictions of that series.
- 4.4 Any Preference Shares of any series which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of any other class or classes shall have the status of authorised and unissued Preference Shares of the same series and may be reissued as a part of the series of which they were originally a part or may be

reclassified and reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board or as part of any other series of Preference Shares, all subject to the conditions and the restrictions on issuance set forth in the resolution or resolutions adopted by the Board providing for the issue of any series of Preference Shares.

- 4.5 At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued Common Shares, other shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

## 5. Calls on Shares

- 5.1 The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members (and not made payable at fixed times by the terms and conditions of issue) and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

- 5.2** Any sum which by the terms of allotment of a share becomes payable upon issue or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be a call duly made and payable, on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
- 5.3** The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- 5.4** The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

## **6. Prohibition on Financial Assistance**

The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.

## **7. Forfeiture of Shares**

- 7.1** If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call  
Bergeesen Worldwide Offshore Limited (the "Company")

You have failed to pay the call of [amount of call] made on the [ ] day of [ ], 200[ ], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [ ] day of [ ], 200[ ], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [ ] day of [ ], 200[ ] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [ ] day of [ ], 200[ ]

\_\_\_\_\_  
[Signature of Secretary] By Order of the Board

- 7.2** If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.
- 7.3** A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.
- 7.4** The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.
- 8. Share Certificates**
- 8.1** Every Member shall be entitled to a certificate under the seal of the Company (or a facsimile thereof) specifying the number and, where appropriate, the class of shares held by such Member and whether the same are fully paid up and, if not, specifying

the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

8.2 The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

8.3 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

9. **Fractional Shares**

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

**REGISTRATION OF SHARES**

10. **Register of Members**

10.1 The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

10.2 The Register of Members shall be open to inspection at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

11. **Registered Holder Absolute Owner**

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

12. **Transfer of Registered Shares**

12.1 An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares  
• (the "Company")

FOR VALUE RECEIVED ..... [amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] of shares of the Company.

DATED this [ ] day of [ ], 200[ ]

Signed by: \_\_\_\_\_ In the presence of:

Transferor \_\_\_\_\_ Witness \_\_\_\_\_

Transferee \_\_\_\_\_ Witness \_\_\_\_\_

12.2 Such instrument of transfer shall be signed by or on behalf of the transferor and transferee provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

12.3 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

- 12.4** The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.
- 12.5** The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share which is not fully paid. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.
- 12.6** Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Act.
- 12.7** The Board may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in a share held through the VPS, where such transfer would, in the opinion of the Board, be likely to result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation.

**13. Transmission of Registered Shares**

- 13.1** In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased

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Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

- 13.2** Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member  
Bergegen Worldwide Offshore Limited (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof, and the Transferee does hereby agree to take the said share(s) subject to the same conditions

DATED this [ ] day of [ ], 200[ ]

Signed by:

In the presence of:

Transferor

Witness

Transferee

Witness

**13.3** On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

**13.4** Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

#### ALTERATION OF SHARE CAPITAL

##### 14. Power to Alter Capital

**14.1** The Company may if authorised by resolution of the Board increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

**14.2** Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

##### 15. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least

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holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

#### DIVIDENDS AND CAPITALISATION

##### 16. Dividends

**16.1** The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

**16.2** The Board may fix any date as the record date for determining the Members entitled to receive any dividend.

**16.3** The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

**16.4** The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

##### 17. Power to Set Aside Profits

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

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**18. Method of Payment**

**18.1** Any dividend or other monies payable in respect of a share may be paid by cheque or warrant sent through the post directed to the address of the Member in the Register of Members (in the case of joint Members, the senior joint holder, seniority being determined by the order in which the names stand in the Register of Members), or by direct transfer to such bank account as such Member may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to such persons as the Member may direct, and payment of the cheque or warrant shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

**18.2** The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.

**18.3** Any dividend and or other monies payable in respect of a share which has remained unclaimed for 6 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

**18.4** The Company shall be entitled to cease sending dividend cheques and warrants by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law

**18.4** in respect of any Member shall cease if the Member claims a dividend or cashes a dividend cheque or warrant.

**19. Capitalisation**

**19.1** The Board may resolve to capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares of one class to shares of another class) to the Members

**19.2** The Board may resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid or nil paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

**MEETINGS OF MEMBERS****20. Annual General Meetings**

The annual general meeting of the Company shall be held in each year at such time and place as the President or the Chairman or the Board shall appoint.

**21. Special General Meetings**

The President or the Chairman or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary.

**22. Requisitioned General Meetings**

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at



the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of the Act shall apply.

### 23. Notice

**23.1** At least 14 days' written notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

**23.2** At least 14 days' written notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.

**23.3** The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

**23.4** A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.

**23.5** The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

### 24. Giving Notice

**24.1** A notice may be given by the Company to any Member either by delivering it to such Member in person or by sending it to such Member's address in the Register of Members or to such other address given for the purpose. For the purposes of this Bye-law, a notice may be sent by letter mail, courier service, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form.

**24.2** Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

**24.3** Save as provided by Bye-law 24.4, any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, at the time when it was posted, delivered to the courier or to the cable company or transmitted by telex, facsimile, electronic mail, or such other method as the case may be.

**24.4** Mail notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail of any member state of the European Union, the United States, or Bermuda.

**24.5** The Company shall be under no obligation to send a notice or other document to the address shown for any particular Member in the Register of Members if the Board considers that the legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, the territory in which that address is situated are such that it is necessary or expedient not to send the notice or document concerned to such Member at such address and may require a Member with such an



address to provide the Company with an alternative acceptable address for delivery of notices by the Company.

**25. Postponement or Cancellation of General Meeting**

The Chairman or the President may, and the Secretary on instruction from the Chairman or the President shall, postpone or cancel any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement or cancellation is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed or cancelled meeting shall be given to the Members in accordance with the provisions of these Bye-laws.

**26. Attendance and Security at General Meetings**

**26.1** Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

**26.2** The Board may, and at any general meeting, the chairman of such meeting may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board and, at any general meeting, the chairman of such meeting are entitled to refuse entry to a person who refuses to comply with any such arrangements, requirements or restrictions.

**27. Quorum at General Meetings**

**27.1** At any general meeting of the Company two or more persons present in person throughout the meeting and representing in person or by proxy in excess of 25% of

the total issued voting shares in the Company shall form a quorum for the transaction of business.

**27.2** If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. If the meeting shall be adjourned to the same day one week later or the Secretary shall determine that the meeting is adjourned to a specific date, time and place, it is not necessary to give notice of the adjourned meeting other than by announcement at the meeting being adjourned. If the Secretary shall determine that the meeting be adjourned to an unspecified date, time or place, fresh notice of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

**28. Chairman to Preside**

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, and if not the President, shall act as chairman at all meetings of the Members at which such person is present. In their absence, the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by those present at the meeting and entitled to vote.

**29. Voting on Resolutions**

**29.1** Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of these Bye-laws and in the case of an equality of votes the resolution shall fail.

**29.2** No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

- 29.3** At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his or her hand.
- 29.4** At any general meeting if an amendment shall be proposed to any resolution under consideration and the chairman of the meeting shall rule on whether the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.
- 29.5** At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

### **30. Power to Demand a Vote on a Poll**

- 30.1** Notwithstanding the foregoing, a poll may be demanded by any of the following persons:
- (a) the chairman of such meeting; or
  - (b) at least three Members present in person or represented by proxy; or
  - (c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or
  - (d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being

- shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such shares conferring such right.
- 30.2** Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- 30.3** A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place at such meeting as the chairman (or acting chairman) of the meeting may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.
- 30.4** Where a vote is taken by poll, each person present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. At the conclusion of the poll, the ballot papers shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

**31. Voting by Joint Holders of Shares**

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

**32. Instrument of Proxy**

**32.1** A Member may appoint a proxy by (a) an instrument appointing a proxy in writing in substantially the following form or such other form as the Board may determine from time to time:

Proxy  
Bergesen Worldwide Offshore Limited (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [ ] day of [ ], 200[ ] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [ ] day of [ ], 200[ ]

Member(s)

or (b) such telephonic, electronic or other means as may be approved by the Board from time to time.

**32.2** The appointment of a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the appointment proposes to vote, and an appointment of proxy which is not received in the manner so permitted shall be invalid.

**32.3** A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf.

**32.4** The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

**33. Representation of Corporate Member**

**33.1** A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

**33.2** Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

**34. Adjournment of General Meeting**

**34.1** The chairman of any general meeting at which a quorum is present may with the consent of Members holding a majority of the voting rights of those Members present in person or by proxy (and shall if so directed by Members holding a majority of the voting rights of those Members present in person or by proxy), adjourn the meeting.

**34.2** In addition, the chairman may adjourn the meeting to another time and place without such consent or direction if it appears to him that:

- (a) it is likely to be impracticable to hold or continue that meeting because of the number of Members wishing to attend who are not present; or

- (b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or
  - (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.
- 34.3 Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

### 35. Written Resolutions

35.1 Subject to the following, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution.

35.2 A resolution in writing may be signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members, or all the Members of the relevant class thereof, in as many counterparts as may be necessary.

35.3 A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

35.4 A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.

35.5 This Bye-law shall not apply to:

- (a) a resolution passed to remove an auditor from office before the expiration of his term of office; or
- (b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.

35.6 For the purposes of this Bye-law, the date of the resolution is the date when the resolution is signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member to sign and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

### 36. Directors Attendance at General Meetings

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

### DIRECTORS AND OFFICERS

#### 37. Election of Directors

37.1 The Board shall consist of such number of Directors being not less than 2 Directors and not more than such maximum number of Directors, as the Members may from time to time determine. The Board shall be elected or appointed at the annual general meeting of the Members or at any special general meeting of the Members called for that purpose.

37.2 Where the number of persons validly proposed for re-election or election as a Director is greater than the number of Directors to be elected, the persons receiving

the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such Directors.

**37.3** Only persons who are proposed or nominated in accordance with this Bye-law shall be eligible for election as Directors. Any Member or the Board may propose any person for election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Whether a Director is to be elected at an annual general meeting or a special general meeting, that notice must be given not less than 10 days before the date of such general meeting.

**37.4** At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

**38. Term of Office of Directors**

The Directors shall hold office for such term as the Members may determine or, in the absence of such determination, until the next general meeting of the Members held for the purpose of electing Directors or until their successors are otherwise elected or appointed or their office is otherwise vacated.

**39. Alternate Directors**

**39.1** At any general meeting of the Company, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors of the Company or may authorise the Board to appoint such Alternate Directors.

**39.2** Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice in writing deposited with the Secretary. Any person so elected or appointed shall have all the rights and

powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present.

**39.3** An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

**39.4** An Alternate Director shall cease to be such if the Director for whom such Alternate Director was appointed ceases for any reason to be a Director but may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy in accordance with these Bye-laws.

**40. Removal of Directors**

**40.1** Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director, only with cause, provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

**40.2** If a Director is removed from the Board under the provisions of this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed.

**40.3** For the purpose of Bye-law 40.1, "cause" shall mean a conviction for a criminal offence involving dishonesty or engaging in conduct which brings the Director or the Company into disrepute and which results in material financial detriment to the Company.

**41. Vacancy in the Office of Director**

41.1 The office of Director shall be vacated if the Director:

- (a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;
- (b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;
- (c) is or becomes of unsound mind or dies; or
- (d) resigns his office by notice in writing to the Company.

41.2 The Board shall have the power from time to time and at any time to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board and to appoint an Alternate Director to any Director so appointed.

**42. Remuneration of Directors**

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

**43. Defect in Appointment of Director**

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or

any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

**44. Directors to Manage Business**

44.1 The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting subject, nevertheless, to these Bye-laws and the provisions of any statute.

44.2 Subject to these Bye-laws, the Board may delegate to any company, firm, person, or body of persons any power of the Board (including the power to sub-delegate).

**45. Powers of the Board of Directors**

The Board may:

- (a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;
- (b) exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;
- (c) appoint one or more Directors to the office of managing director or appoint one or more Directors or other persons to the office of chief executive officer of the Company, who shall, in either event, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

- (d) appoint any company, firm, person or body to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;
- (e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company;
- (f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;
- (g) delegate any of its powers (including the power to sub-delegate) to a committee appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;
- (h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit;

- (i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;
- (j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law;
- (k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any agreement, document or instrument on behalf of the Company; and
- (l) take all necessary or desirable actions within its control to ensure that the Company is not deemed resident in Norway or deemed to be a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation..

**46. Register of Directors and Officers**

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

**47. Officers**

The Officers shall consist of a President and a Vice President or a Chairman and a Deputy Chairman, a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of these Bye-laws.

**48. Appointment of Officers**

The Board shall appoint a President and Vice President or a Chairman and Deputy Chairman who shall be Directors. The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time.



**49. Duties of Officers**

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

**50. Remuneration of Officers**

The Officers shall receive such remuneration as the Board may determine.

**51. Conflicts of Interest**

**51.1** Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's firm, partner or company shall be entitled to remuneration as if such Director were not a Director. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

**51.2** A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

**51.3** Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

**51.4** Notwithstanding Bye-law 51.3 and save as provided herein, a Director shall not vote, be counted in the quorum or act as chairman at a meeting in respect of (A) his appointment to hold any office or place of profit with the Company or any body corporate or other entity in which the Company owns an equity interest or (B) the approval of the terms of any such appointment or of any contract or arrangement in which he is materially interested (otherwise than by virtue of his interest in shares,

debentures or other securities of the Company), provided that, a Director shall be entitled to vote (and be counted in the quorum and act as chairman) in respect of any resolution concerning any of the following matters, namely:

- (a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company; or
- (b) any proposal concerning any other body corporate in which he is interested directly or indirectly, whether as an officer, Shareholder, creditor or otherwise, provided that he is not the holder of or beneficially interested (other than as a bare custodian or trustee in respect of shares in which he has no beneficial interest) in more than 1% of any class of the issued share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights attached to all of the issued shares of the relevant body corporate (any such interest being deemed for the purpose of this Bye-law to be a material interest in all circumstances); and

in the case of an Alternate Director, an interest of a Director for whom he is acting as alternate shall be treated as an interest of such Alternate Director in addition to any interest which the Alternate Director may otherwise have.

**51.5** If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote, and such question is not resolved by such Director voluntarily agreeing to abstain from voting and not be counted in the quorum of such meeting, such question shall be referred to the chairman of the meeting (except in the event the Director is also the chairman of the meeting, in which case the question shall be referred to the other Directors present at the meeting) and his (or their, as the case may be) ruling in relation to such Director shall be final and conclusive, except in a case where the nature or extent of the interest of the Director concerned has not been fully disclosed.

**52. Indemnification and Exculpation of Directors and Officers**

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**52.1** The Directors, Secretary and other Officers (such term to include any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company, any subsidiary thereof and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and none of them shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer.

**52.2** The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him under the Act in his capacity as a Director or Officer of the Company or indemnifying such Director or

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Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

#### MEETINGS OF THE BOARD OF DIRECTORS

##### 53. Board Meetings

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Subject to the provisions of these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

##### 54. Notice of Board Meetings

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally (in person or by telephone) or otherwise communicated or sent to such Director by post, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form at such Director's last known address or any other address given by such Director to the Company for this purpose.

##### 55. Participation in Meetings by Telephone

Directors may participate in any meeting of the Board by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

##### 56. Quorum at Board Meetings

The quorum necessary for the transaction of business at a meeting of the Board shall be in excess of 50% of the Directors then in office.

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**57. Board to Continue in the Event of Vacancy**

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting of the Company; or (ii) preserving the assets of the Company.

**58. Chairman to Preside**

Unless otherwise agreed by a majority of the Directors attending and entitled to vote thereat, the Chairman, if there be one, and if not, the President shall act as chairman at all meetings of the Board at which such person is present. In their absence the Deputy Chairman or Vice President, if present, shall act as chairman and in the absence of all of them a chairman shall be appointed or elected by the Directors present at the meeting.

**59. Written Resolutions**

A resolution in writing signed by all the Directors or, for the avoidance of doubt, their respective Alternate Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution shall be deemed to be effective on such date as the Directors agree.

**60. Validity of Prior Acts of the Board**

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

**61. Minutes**

The Board shall cause minutes to be duly entered in books provided for the purpose:

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**(a)** of all elections and appointments of Officers;

**(b)** of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and

**(c)** of all resolutions and proceedings of general meetings of the Members, meetings of the Board, and meetings of committees appointed by the Board.

**62. Place Where Corporate Records Kept**

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

**63. Form and Use of Seal**

**63.1** The seal of the Company shall be in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

**63.2** The seal of the Company shall not be affixed to any instrument except attested by the signature of a Director and the Secretary or any two Directors, or any person appointed by the Board for that purpose, provided that any Director, Officer or Resident Representative, may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye-laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.

**ACCOUNTS****64. Books of Account**

**64.1** The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

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- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) all assets and liabilities of the Company.

**64.2** Such records of account shall be kept at the registered office of the Company, or subject to the provisions of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

**65. Financial Year End**

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31<sup>st</sup> December in each year.

**AUDITS**

**66. Annual Audit**

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

**67. Appointment of Auditors**

**67.1** Subject to the provisions of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.

**67.2** The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

**68. Remuneration of Auditors**

The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

**69. Duties of Auditors**

**69.1** The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

**69.2** The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

**70. Access to Records**

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

**71. Financial Statements**

Subject to any rights to waive laying of accounts pursuant to the provisions of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

**72. Distribution of Auditors report**

The report of the Auditor shall be submitted to the Members in general meeting.

**73. Vacancy in the Office of Auditor**

If the office of Auditor becomes vacant by the resignation or death or the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor's services are required, the vacancy thereby created shall be filled in accordance with the Act.

**74. Winding-Up**

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

**75. Changes to Bye-laws****CHANGES TO CONSTITUTION**

**75.1** Subject to Bye-law 75.2, no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

**75.2** Bye-laws 37, 38, 39, 41, and 75 shall not be rescinded, altered or amended and no new Bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-laws, until the same has been approved by a

resolution of the Board including the affirmative vote of not less than 66% per cent of the Directors then in office and by a resolution of the Members including the affirmative vote of not less than 50% per cent of the votes attaching to all shares in issue.

**76. Discontinuance**

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

Appendix IV: Memorandum of Association

FORM NO. 2



BERMUDA  
THE COMPANIES ACT 1981  
**MEMORANDUM OF ASSOCIATION OF  
COMPANY LIMITED BY SHARES**  
(Section 7(1) and (2))

**MEMORANDUM OF ASSOCIATION  
OF**

**Bergesen Worldwide Offshore Limited**  
(hereinafter referred to as "the Company")

1. The liability of the members of the Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them.
2. We, the undersigned, namely,

NAME	ADDRESS	BERMUDIAN STATUS (Yes/No)	NATIONALITY	NUMBER OF SHARES SUBSCRIBED
C.G.R. Collis	Clarendon House 2 Church Street Hamilton HM 11 Bermuda	Yes	British	One
C.G. Garrod	"	Yes	British	One
A.R. Guilfoyle	"	No	British	One

do hereby respectively agree to take such number of shares of the Company as may be allotted to us respectively by the provisional directors of the Company, not exceeding the number of shares for which we have respectively subscribed, and to satisfy such calls as may be made by the directors, provisional directors or promoters of the Company in respect of the shares allotted to us respectively.

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3. The Company is to be an **exempted** Company as defined by the Companies Act 1981.
4. The Company, with the consent of the Minister of Finance, has power to hold land situate in Bermuda not exceeding \_\_\_ in all, including the following parcels:-  
N/A
5. The authorised share capital of the Company is **US\$12,000** divided into shares of **US\$0.01** each. The minimum subscribed share capital of the Company is **US\$12,000**.
6. The objects for which the Company is formed and incorporated are -
  - (1) To act and to perform all the functions of a holding company in all its branches and to co-ordinate the policy and administration of any subsidiary company or companies wherever incorporated or carrying on business or of any group of companies of which the Company or any subsidiary company is a member or which are in any manner controlled directly or indirectly by the Company;
  - (2) To act as an investment company and for that purpose to acquire and hold upon any terms and, either in the name of the Company or that of any nominee, shares, stock, debentures, debenture stock, ownership interests, annuities, notes, mortgages, bonds, obligations and securities, foreign exchange, foreign currency deposits and commodities, issued or guaranteed by any company or partnership wherever incorporated, established or carrying on business, or by any government, sovereign, ruler, commissioners, public body or authority, supreme, municipal, local or otherwise, by original subscription, tender, purchase, exchange, underwriting, participation in syndicates or in any other manner and whether or not fully paid up, and to make payments thereon as called up or in advance of calls or otherwise and to subscribe for the same, whether conditionally or absolutely, and to hold the same with a view to investment, but with the power to vary any investments, and to exercise and enforce all rights and powers conferred by or incident to the ownership thereof, and to invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may be from time to time determined;
  - (3) To carry on the business of owners of floating production storage and offloading vessels and/or floating storage and offloading vessels and generally of a shipping company in all its branches;
  - (4) To purchase, sell, exchange, charter, sub-charter, own, lease, pledge, operate, build, repair and otherwise deal in and with floating production storage and offloading vessels, floating storage and offloading vessels, ships and vessels of any kind;
  - (5) To carry on business as shipping, chartering, and bunkering agents, shippers and commission agents;

- (14) To create, enter into, undertake, procure, arrange for, acquire by purchase or otherwise, buy, own, hold, sell or otherwise dispose of (with or without consideration or benefit), trade, invest and or otherwise deal in, whether on a speculative basis or otherwise, all and or any kind of (including without limitation all and or any combinations of and all and or any rights or interests under) instrument, agreement, contract, covenant and undertaking, including without limiting the generality of the foregoing, derivative instrument, agreement or contract, option, swap option contract, bond, warrant, debenture, equity, forward exchange contract, forward rate contract, future, hedge, security, note, certificate of deposit, unit, guarantee and or financial instrument; and
- (15) To carry on any trade or business which can, in the opinion of the board of directors, be advantageously carried on by the Company.
7. Powers of the Company
1. The Company shall, pursuant to Section 42 of the Companies Act 1981, have the power to issue preference shares which are, at the option of the holder, liable to be redeemed.
2. The Company shall, pursuant to Section 42A of the Companies Act 1981, have the power to purchase its own shares.

- (6) To acquire by purchase or otherwise, buy, own, hold, create, market, design, assemble, manufacture, repair, lease, hire, let, sell, dispose of (with or without consideration or benefit), maintain, improve, develop, manage, invent, build, construct, operate, package and otherwise trade, invest or deal in and with products, financial instruments, goods, and real and personal property of all kinds whatsoever and wheresoever situated, and enter into arrangements for or with respect to any of the foregoing;
- (7) To perform, provide, procure, market and deal in services and undertakings of all kinds;
- (8) To advise and act as consultants and managers of all kinds and, without limiting the generality of the foregoing, to provide investment and financial advice, consultation and management services;
- (9) To research, create, develop, invent, improve, discover, design, collate and draft original works, software, inventions, designs, concepts, formulas, processes, strategies, methodologies and the like, and acquire, build, own, hold, sell, lease, license, dispose of (with or without consideration or benefit), market, franchise, and otherwise exploit and deal in or with all intellectual and intangible property rights pertaining thereto whether registered or not, including but not limited to trade and service marks, trade names, copyrights, computer software, inventions, designs, patents, provisional patents, utility models, trade secrets, confidential information, know how, get-up and any other rights and privileges vesting in or attaching thereto;
- (10) To explore for, drill for, mine for, quarry for, move, transport, and refine metals, minerals, fossil fuel, petroleum, hydrocarbon products including, without limiting the generality of the foregoing, oil and oil products, and precious stones of all kinds and to prepare the same for sale or use;
- (11) To enter into any guarantee, contract of indemnity or suretyship and to assure, support or secure with or without consideration or benefit the performance of any obligations of any person or persons and to guarantee the fidelity of individuals filling or about to fill situations of trust or confidence;
- (12) To own, manage, operate, act as agents with respect to, build, repair, acquire, own, sell, charter, or deal in ships and aircraft;
- (13) To lend to or deposit with any person funds, property or assets and to provide collateral or credit enhancement for loans, leasing or other forms of financing, with or without consideration or benefit;

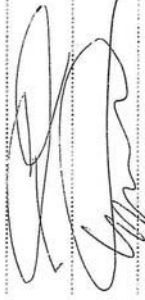

THE COMPANIES ACT 1981

FIRST SCHEDULE

A company limited by shares, or other company having a share capital, may exercise all or any of the following powers subject to any provision of the law or its memorandum:

1. [Deleted]
2. to acquire or undertake the whole or any part of the business, property and liabilities of any person carrying on any business that the company is authorised to carry on;
3. to apply for register, purchase, lease, acquire, hold, use, control, licence, sell, assign or dispose of patents, patent rights, copyrights, trade makers, formulae, licences, inventions, processes, distinctive makers and similar rights;
4. to enter into partnership or into any arrangement for sharing of profits, union of interests, co-operation, joint venture, reciprocal concession or otherwise with any person carrying on or engaged in or about to carry on or engage in any business or transaction that the company is authorised to carry on or engage in or any business or transaction capable of being conducted so as to benefit the company;
5. to take or otherwise acquire and hold securities in any other body corporate having objects altogether or in part similar to those of the company or carrying on any business capable of being conducted so as to benefit the company;
6. subject to section 96 to lend money to any employee or to any person having dealings with the company or with whom the company proposes to have dealings or to any other body corporate any of those shares are held by the company;
7. to apply for, secure or acquire by grant, legislative enactment, assignment, transfer, purchase or otherwise and to exercise, carry out and enjoy any charter, licence, power, authority, franchise, concession, right or privilege, that any government or authority or any body corporation or other public body may be empowered to grant, and to pay for, aid in and contribute toward carrying it into effect and to assume any liabilities or obligations incidental thereto;
8. to establish and support or aid in the establishment and support of associations, institutions, funds or trusts for the benefit of employees or former employees of the company or its predecessors, or the dependants or connections of such employees or former employees, and grant pensions and allowances, and make payments towards insurance or for any object similar to those set forth in this paragraph, and to subscribe or guarantee money for charitable, benevolent, educational and religious objects or for any exhibition or for any public, general or useful objects;

Signed by each subscriber in the presence of at least one witness attesting the signature thereof

 ..... ..... .....	 ..... ..... .....
--	--

(Subscribers)

(Witnesses)

SUBSCRIBED this 6<sup>th</sup> June, 2005.

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9. to promote any company for the purpose of acquiring or taking over any of the property and liabilities of the company or for any other purpose that may benefit the company;
10. to purchase, lease, take in exchange, hire or otherwise acquire any personal property and any rights or privileges that the company considers necessary or convenient for the purposes of its business;
11. to construct, maintain, alter, renovate and demolish any buildings or works necessary or convenient for its objects;
12. to take land in Bermuda by way of lease or leasing agreement for a term not exceeding fifty years, being land "bona fide" required for the purposes of the business of the company and with the consent of the Minister granted in his discretion to take land in Bermuda by way of lease or leasing agreement for a term not exceeding twenty-one years in order to provide accommodation or recreational facilities for its officers and employees and when no longer necessary for any of the above purposes to terminate or transfer the lease or letting agreement;
13. except to the extent, if any, as may be otherwise expressly provided in its incorporating Act or memorandum and subject to the provisions of this Act every company shall have power to invest the moneys of the Company by way of mortgage of real or personal property of every description in Bermuda or elsewhere and to sell, exchange, vary, or dispose of such mortgage as the company shall from time to time determine;
14. to construct, improve, maintain, work, manage, carry out or control any roads, ways, tramways, branches or sidings, bridges, reservoirs, watercourses, wharves, factories, warehouses, electric works, shops, stores and other works and conveniences that may advance the interests of the company and contribute to, subsidise or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof;
15. to raise and assist in raising money for, and aid by way of bonus, loan, promise, endorsement, guarantee or otherwise, any person and guarantee the performance or fulfilment of any contracts or obligations of any person, and in particular guarantee the payment of the principal of and interest on the debt obligations of any such person;
16. to borrow or raise or secure the payment of money in such manner as the company may think fit;
17. to draw, make, accept, endorse, discount, execute and issue bills of exchange, promissory notes, bills of lading, warrants and other negotiable or transferable instruments;
18. when properly authorised to do so, to sell, lease, exchange or otherwise dispose of the undertaking of the company or any part thereof as an entirety or substantially as an entirety for such consideration as the company thinks fit;

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19. to sell, improve, manage, develop, exchange, lease, dispose of, turn to account or otherwise deal with the property of the company in the ordinary course of its business;
  20. to adopt such means of making known the products of the company as may seem expedient, and in particular by advertising, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes and rewards and making donations;
  21. to cause the company to be registered and recognised in any foreign jurisdiction, and designate persons therein according to the laws of that foreign jurisdiction or to represent the company and to accept service for and on behalf of the company of any process or suit;
  22. to allot and issue fully-paid shares of the company in payment or part payment of any property purchase or otherwise acquired by the company or for any past services performed for the company;
  23. to distribute among the members of the company in cash, kind, specie or otherwise as may be resolved, by way of dividend, bonus or in any other manner considered advisable, any property of the company, but not so as to decrease the capital of the company unless the distribution is made for the purpose of enabling the company to be dissolved or the distribution, apart from this paragraph, would be otherwise lawful;
  24. to establish agencies and branches;
  25. to take or hold mortgages, hypothecs, liens and charges to secure payment of the purchase price, or of any unpaid balance of the purchase price, of any part of the property of the company of whatsoever kind sold by the company, or for any money due to the company from purchasers and others and to sell or otherwise dispose of any such mortgage, hypothec, lien or charge;
  26. to pay all costs and expenses of or incidental to the incorporation and organisation of the company;
  27. to invest and deal with the moneys of the company not immediately required for the objects of the company in such manner as may be determined;
  28. to do any of the things authorised by this subsection and all things authorised by its memorandum as principals, agents, contractors, trustees or otherwise, and either alone or in conjunction with others;
  29. to do all such other things as are incidental or conducive to the attainment of the objects and the exercise of the powers of the company.
- Every company may exercise its powers beyond the boundaries of Bermuda to the extent to which the laws in force where the powers are sought to be exercised permit.



## Appendix V: Registrar Agreement

**REGISTRAR AGREEMENT**

RELATED TO REGISTRATION IN  
THE NORWEGIAN CENTRAL SECURITIES DEPOSITORY

BETWEEN

*Bergesen Worldwide Offshore Limited*

AND

*DnB NOR Bank ASA  
Registrars Department*

This Agreement is entered into this 24th day of April 2006 by and between:

**Bergesen Worldwide Offshore Limited**, a company under the laws of Bermuda with registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (hereinafter the "Company")

and

**DnB NOR Bank ASA**, as represented by the Registrar's Department ("Verdipapirservice"), a company under the laws of the Kingdom of Norway with address 0021 Oslo, Norway (hereinafter the "Registrar").

WHEREAS the Company is existing and operating under the laws of Bermuda;

WHEREAS all the issued shares of the Company are registered in the Norwegian Central Securities Depository ("Verdipapirsentralen" - hereinafter referred to as "VPS");

WHEREAS the Company's Register of Members will be kept at the Company's registered office in Bermuda;

WHEREAS the Registrar is willing to (i) act as registrar on behalf of the Company in all matters relating to the VPS and thereby as the connecting link between the VPS and the Company and (ii) act as record keeper on behalf of the Shareholders whose shares are registered in the VPS Register; and

WHEREAS all the shares of the Company registered in the VPS Register shall be registered in the Company's Register of Members under the name of: DnB NOR Bank ASA, Registrar Dept., 0021 Oslo, Norway.

NOW, THEREFORE, the parties have entered into the following:

**1. DEFINITIONS**

VPS	The Norwegian Central Securities Depository ("Verdipapirsentralen"), a Norwegian computerised, book-entry based system, in which ownership and transactions related to securities are recorded.
The VPS Register	The register of Shareholders maintained in the VPS.
Shareholder	Person or legal entity registered in the VPS Register as owner of a share or shares of the Company.
Register of Members	The Company's main shareholder register maintained by the Company in Bermuda as required by the Bermuda Companies Act 1981.
Member	A shareholder or nominee registered in the Registry of Members.

**2. APPOINTMENT**

The Company hereby appoints the Registrar to act as its registrar in accordance with the terms of this Agreement. The Registrar agrees to provide such services and to do all such things and to take all such steps as may be reasonably required, or requested by the Company, in order to enable Shareholders to benefit from and enjoy all the rights and privileges of a member of the Company and to enable the Company to enforce the provisions of its Bye-laws.

**3. UNDERTAKINGS BY THE REGISTRAR**

3.1 Subject to the Registrar having received the necessary information from the Company, the Registrar shall keep records of entries taken from the VPS Register with regard to the following:

- (a) the name and address of each Shareholder;
- (b) the number of shares held by each Shareholder;
- (c) the date each Shareholder was registered in the VPS Register as a Shareholder;
- (d) the date any person ceased to be a Shareholder; and
- (e) provide service to the Oslo Stock Exchange/Oslo Børs, investment firms and the Shareholders of the Company in matters related to this Agreement and the VPS system.

Information concerning (c) and (d) above will be retained for 10 years following the date referred to in (d). Additional information might be retained in order to comply with any applicable Norwegian legislation in force from time to time.

3.2

Further, subject to the Registrar having received the necessary information from the Company, the Registrar shall distribute all dividends or other cash amounts declared and paid by the Company to the Registrar as nominee in accordance with the VPS system for payment of dividends. Any dividends to be paid through the VPS must be available in a bank account held with the Registrar a minimum of two banking days prior to date of payment to the Shareholders. Details of the Registrar's account shall be informed in writing by the Registrar to the Company with at least 5 days of anticipation to the date on which the Company shall transfer any dividends. To Shareholders who maintain a Norwegian address and/or have supplied the VPS with details of their Norwegian kroner account such dividend will be paid in Norwegian kroner. Shareholders registered in the VPS Register whose address is outside Norway and who have not supplied the VPS with details of any Norwegian kroner account, will receive dividends by cheque in their local currency. If it is not practical in the Registrar's sole opinion to issue a cheque in a local currency, a cheque will be issued in U.S. dollars. The issuing and mailing of cheques will be executed in accordance with the standard procedures of DnB NOR Bank ASA, Foreign Payments Department. The exchange rate(s) that is applied will be DnB NOR Bank ASA's exchange rate on the date of issuance.

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3.3

Whenever the Company calls for a general meeting of Shareholders, the Registrar agrees not to attend or vote at such meeting other than in accordance with proxies from Shareholders registered in the VPS.

3.4

The Registrar undertakes that if any share, debenture, security or other right, asset or benefit (other than a cash dividend) (a "Security") shall accrue to the Registrar as nominee, it shall ensure that the registered title to such Security is held for the benefit of the Shareholders until such time as transfers of such Security are executed in favour of such Shareholders pro rata to their entitlement of such Security.

3.5

In the event of any change or alteration of the share capital of the Company all necessary amendments must be made in the VPS system. For the purpose of this clause, any instructions from the Company shall be accompanied by relevant documentation specifying the new share capital of the Company or any other alterations hereto.

In addition to the undertakings stated above, the Registrar shall, subject to a separate agreement between the Company and the Registrar, provide advice and technical assistance in connection with:

- Sending the Shareholders of the Company at their registered addresses any notice, report, accounts, financial statements, circular or other similar document (each a "Document") relating to the affairs of the Company.
- Preparing, organising and assisting the Company when a Shareholder meeting and/or an annual or extraordinary general meeting of the Company is called for.
- Issues with and without pre-emptive rights for former/existing Shareholders.
- Issues directed towards employees, and/or special groups, both in Norway and abroad.
- Bonus issues, with and without payment for excess holdings of shares.
- Write-downs of the nominal value of the Company's share capital.
- Share splits.
- Merger(s) and/or demerger(s).
- Sales of shares to employees or purchases of shares in the market.
- Subscriptions of convertible bonds, with or without pre-emptive rights for the Company's existing/former Shareholders, which may be converted to shares at a future date.
- Acquisitions.
- Special assignments.

3.6

However, notwithstanding the above, the Registrar does not undertake any obligation to render any tax reporting services to any tax authorities or to collect any tax on behalf of any tax authorities.

3.7

The Registrar undertakes to place a notice/legend in the VPS Register ensuring that a buyer of share of the Company that is registered in the VPS receives information on the applicable restrictions on transfer of shares set forth in the Bye-Laws of the Company. The notice/legend to be used is enclosed as Annex A hereto. The Company may by notice in writing instruct the Registrar to amend the notice/legend subject always to general restrictions imposed by the VPS Register.

3.8

The Registrar further undertakes to notify the Company if the VPS record shows that the Shareholders resident in Norway own/control more or equal to 50 % of the Shares in the Company. If certain shares of the Company are registered directly in the Register of

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- Members of the Company, the Company shall inform the Registrar of the threshold that Shareholders resident in Norway own/control shall be monitored against.
- 3.9 The Registrar undertakes to hold any shares registered in its name solely on behalf of and for the benefit of the Shareholders.
4. **UNDERTAKINGS BY THE COMPANY**
- The Company undertakes to:
- a) Inform the Registrar of any decision made by the Company that is relevant for the continued registration of the Company and its Shareholders in the VPS Register and other relevant information reasonably requested by the Registrar, in order to enable the Registrar to comply with this Agreement.
  - b) Inform the Registrar of all details of any proposed dividend by the Board of Directors of the Company and all other details connected thereto before the Company announces the proposed dividend in order to enable the Registrar to comply with this Agreement. VPS needs this information in order to process dividend payments.
  - c) Pay to the Registrar as nominee for the Shareholders of the Company any dividend declared by the Company to a bank account held with the Registrar in accordance with the VPS system for payment of dividends, see clause 3.2.
  - d) Provide the Registrar with a copy of its Memorandum of Association and Bye-laws, and immediately inform the Registrar of any amendment to its Memorandum of Association or Bye-laws.
  - e) When a general meeting of members is called for, to give the Registrar ample time to distribute notices of such meeting to the Shareholders, to collect and to report the proxy voting to the Company within the given time limit for such reporting.
5. **INFORMATION FROM THE VPS REGISTER**
- 5.1 Within 15 days after the end of each year the Registrar shall produce and send to the Company an updated list of the Shareholders registered in the VPS Register as at year's end.
- 5.2 At the request of the Company, the Registrar shall order from VPS and send to the Company a printout or printouts of the Company's Shareholders' register, address labels or statistics from the VPS.
- 5.3 Once a week, or as otherwise requested by the Company, the Registrar shall send the Company a list of all transfers of the Company's shares recorded in the VPS Register.
- 5.4 If anyone other than the Company requests address labels for the Shareholders from the VPS, the Registrar shall request permission from the Company prior to releasing such address labels.
- 5.5 If investment firms, financial newspapers or other persons request a transcript of the Company's 20 largest Shareholders, the Registrar is authorised by the Company to release such transcripts to the requesting party.
- 5.6 Any statistics of the Shareholders of the Company may be released to any requesting party subject to a separate agreement between the Company and the Registrar, or the Company's general consent to release such statistics.
6. **THE REGISTER OF MEMBERS**
- 6.1. The Company will maintain the Register of Members in Bermuda. All the shares of the Company registered in VPS shall be registered in Bermuda in the nominee name of:  
 DnB NOR Bank ASA  
 VPS Register  
 P.O.Box 1171 – Sentrum  
 N-0107 Oslo
7. **PAYMENTS**
- 7.1 The Company agrees to pay the Registrar for the latter's services at the Registrar's standard rates as they apply from time to time, which may include reasonable internal and external fees, costs and expenses including internal and external legal fees. The Registrar shall send monthly invoices to the Company detailing the fees, costs and expenses payable including out-of-pocket expenses and costs incurred by the Registrar. In addition, the Company shall pay all expenses (including internal and external legal fees) incurred by Registrar in its capacity as Registrar.
- 7.2 The Company agrees to pay the account operator fee in advance in 3 instalments per year to the Registrar. The total amount of the account operator fee for the previous year will be calculated by the VPS and charged to the Company by the Registrar during the first quarter of the following year.
- 7.3 The Registrar shall charge any fees, costs and expenses as described in clauses 7.1 and 7.2 to the Company's account to be opened with DnB NOR Bank ASA. Such settlement of charges shall take place monthly in arrears. Prior to the opening of such account, the Registrar agrees that fees are to be paid to the Registrar's designated account by the Company executing telegraphic transfer to such designated account.
8. **CONFIDENTIALITY**
- Any information regarding the Company or otherwise relating to its affairs, which may be obtained by the Registrar in connection with the performance of its duties as Registrar in accordance with this Agreement, will be treated as private and confidential and will not be disclosed to any third person unless required by applicable law.
9. **LIABILITY**
- 9.1 VPS liability
- In accordance with article 9-1 of the Norwegian Act Concerning the Registration of Financial Instruments ("The Securities Registry Act") (Office translation):

shares in connection with the Company being registered in the VPS or the Company's shares being surrendered, or the Registrar issuing or cancelling Company shares in or out of the VPS system in accordance with Company instructions, or by the Registrar performing its duties in accordance with this Agreement.

**11. TERMINATION OR CHANGE OF PROVISIONS OF AGREEMENT**

11.1 This Agreement may be terminated by either party with a minimum of three months prior written notice.

11.2 Either of the parties may terminate this Agreement immediately on giving written notice to the other party in the event of the non-performance of payment obligations or any other material breach of the Agreement. The Registrar may terminate this Agreement immediately in the event that the Company becomes unable to pay its debts.

11.3 The provisions of this Agreement may be subject to change provided applicable law so requires, or with the prior written consent of both parties.

**12. GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Norway. The Company and the Registrar submit to the exclusive jurisdiction of the Norwegian court with respect to any dispute arising out of or in connection with this Agreement, venue to be Oslo Municipal Court.

This Agreement is issued in two originals, one for each of the parties.

24th day of April 2006

Bergeesen Worldwide Offshore Limited

DnB NOR Bank ASA



"The Central Securities Depository is liable for financial loss inflicted on anyone as a result of errors that occur in connection with securities registration operations. This does not apply in the event that the Depository proves that the error is due to circumstances outside the Depository's control, the consequences of which the Depository could not reasonably be expected to avoid or surmount.

The Securities Depository is liable for other financial losses in the event that such loss is due to negligence on the part of the Depository or another entity for which the Depository is answerable.

The liability for damages as specified in the first sub-article above only applies to direct losses and such liability is in any event limited to a maximum of NOK 500 million for any individual error".

As regards liability for other losses, in its business terms and conditions VPS has confined this to only apply to direct losses ensuing from events within VPS' control and limited to a maximum of NOK 2.5 million per wrongful act or omission. In addition, VPS operates with a deductible of NOK 10,000 per damage event.

The Company may have the Registrar, as Registrar for the Company, present any claims the Company has against VPS, but the Registrar cannot under any circumstances be held liable for errors committed by VPS or losses incurred as a result of VPS' conduct.

In the event that the Registrar does not receive full settlement from VPS due to the deductible, the Registrar may demand payment of the corresponding amount from the Company.

**9.2 Liability of the parties**

Each party is liable for any direct losses suffered by the other party as a result of breach of contract by the first party. The parties are not liable for indirect damage or indirect loss of any nature.

The Registrar cannot under any circumstances be held liable for any loss attributable to circumstances beyond the Registrar's control, including:

- a) errors committed by others, including errors attributable to sub-suppliers, incorrect or incomplete information from VPS, the Company, Shareholders, Shareholders' registrars or investment firms, or
- b) power failures, errors in or outages of electronic data processing systems, telecommunication networks etc., fire, water damage, strike, changes in legislation, orders or injunctions issued by the authorities or the suspension or cessation of monetary or securities settlements.

**10. TAX LIABILITY**

10.1 The Registrar does not undertake any liability for taxes or duties to any authorities, whether Norwegian or foreign, in its capacity acting as Registrar in accordance with this Agreement. Further, the Registrar does not undertake any obligation to render any tax reporting to any tax authorities, or to collect any tax on behalf of any tax authorities.

10.2. The Company will indemnify the Registrar of any claim for taxes or duties or other liability that may occur as a result of the Registrar either receiving, delivering or holding Company

**Annex A**

The Registrar undertakes to ensure that the following notice/legend is registered in the VPS Register and as such will appear on any notice or confirmation that a buyer of a VPS registered share of the Company receives as confirmation of its acquisition of said share(s):

“The acquisition of shares in Bergenese Worldwide Offshore Limited is subject to approval by its Board. Approval may be refused if the acquisition results in 50% or more of the shares or votes being owned/controlled directly or indirectly by residents of Norway or effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Corporation as such term is defined pursuant to Norwegian tax legislation. If notice of refusal is not received within 30 days of transfer, the acquisition may be deemed approved.”

## Appendix VI: Outline of key differences between Bermudian and Norwegian law

Company's Bye-laws, subject to any resolution of the shareholders to the contrary, the Board may issue any unissued shares on such terms and conditions as it may determine.

The Norwegian Public Limited Companies Act does not make a distinction between "issued" and "unissued" shares. The issue of shares requires the affirmative vote of at least two thirds of the votes cast and the share capital present at a general meeting.

According to Bermuda law, shares may not be issued at a price per share less than the par value per share. Premium arising on the issue of shares must generally be credited to a statutory account known as the share premium account. The same provisions apply pursuant to the Norwegian Public Limited Companies Act. However, according to the BCA and the Company's Bye-laws, shares may be issued without the subscription price being paid before the Board makes such calls as it thinks fit. Under the Norwegian Public Limited Companies Act such payments must be made before the share capital increase is registered in the Norwegian Companies Register and the shares are issued.

Share certificates will not be issued by the Company. Ownership of shares will be evidenced by entry in the register of members. The same would apply under the Norwegian Public Limited Companies Act.

All the issued shares of the Company in the register of members are registered in the name of DnB NOR Bank ASA as nominee holder of the shares. The Registrar has then registered all issued shares in the Norwegian VPS and acts as the Company's account manager for the issued shares. In a Norwegian public limited company, Norwegian shareholders will be registered directly as the shareholders in the share register of the Company (i.e. not as beneficial owners with the Registrar as nominee).

The share capital of the Company is divided into shares of a single class and a holder of shares is entitled to one vote per share; is entitled to such dividends as the Board may from time to time declare; in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, is entitled to the surplus assets of the Company; and generally is entitled to enjoy all of the rights attaching to shares.

### Own shares

The Company may according to its Bye-laws purchase its own shares in accordance with the provisions of the BCA on such terms as the Board shall think fit. The Board may exercise all the powers of the Company to purchase all or any part of its own shares in accordance with the BCA. These powers are wider than those which would apply under the Norwegian Public Limited Companies Act.

### General meeting

The Company shall convene an annual general meeting of the Company each year (other than the year of incorporation) at such time and place as the president or the chairman or the Board shall appoint. The president or the chairman or the Board may convene a special general meeting of the Company whenever, in their judgment, such a meeting is necessary.

The Board shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of the BCA shall apply.

At least fourteen days' notice of an annual general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held and that the election of directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting. At least fourteen days' notice of a special general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting. The Board may fix any date as the record date for determining the shareholders entitled to receive notice of and to vote at any general meeting of the Company.

Under the Norwegian Public Limited Companies Act, the annual general meeting shall be convened during the first six months of the company's accounting year and the annual general meeting shall consider certain mandatory issues. The minimum notice period under the Norwegian Public Limited Companies Act is two weeks and the meeting shall be convened in the same municipality as the registered office unless the Articles of Association provides otherwise. In specific circumstances, the general meeting may be convened at another venue.

Pursuant to the Norwegian Public Limited Companies Act, if a general meeting is duly called, there are no specific quorum requirements but the business to be conducted at the meeting must be specified in the notice of the meeting. The Company's Bye-laws provide that at any general meeting of the Company two or more persons

### INTRODUCTION

#### Purpose

The purpose of this summary is to highlight certain similarities and differences between the laws and rules to which the Company is subject and the rules that would apply to a Norwegian company. This summary is not intended to be exhaustive and should be read in conjunction with, and is qualified in its entirety by the Memorandum of Association and Bye-laws of the Company and the BCA.

#### General

The Company is incorporated in Bermuda as an exempted company limited by shares. The Company's status as an exempted company means that the Company is exempted from local ownership requirements, but is prohibited from carrying on business in Bermuda, except in limited circumstances.

The Company and its activities are primarily governed by the BCA, its Memorandum of Association and its Bye-laws.

Since the Company will be listed on Oslo Børs, certain aspects of the Company's activities will be governed by Norwegian law pursuant to the Listing Agreement between Oslo Børs and the Company. In particular, it should be noted that the provisions of the Norwegian Securities Act and the Norwegian Stock Exchange Regulations for a public offering of shares will apply to any such share offering of the Company in Norway. The Norwegian Securities Act, the Norwegian Stock Exchange Act of 17 June 1988, No. 57, and the Norwegian Stock Exchange Regulations will as a starting point apply. However, the provisions regarding mandatory offer obligations in Chapter 4 of the Norwegian Securities Trading Act will not apply to the Company, as they only apply to Norwegian listed companies.

The constitutional documents of the Company consist of a Memorandum of Association with a set of Bye-laws. These documents are significantly more extensive than the Articles of Association (*vedtekter*) of a Norwegian company.

The Memorandum of Association and the Bye-laws together form the constitution of the Company. Only the Memorandum of Association is on file with the Bermuda Registrar of Companies. It is a matter of public record and available for inspection by the public at the offices of the Bermuda Registrar of Companies.

The Bye-laws of a Bermuda company are not filed with the Registrar of Companies in Bermuda and are not generally available for inspection by the public. The Bye-laws will set out the rights and duties between the company, its shareholders and its directors. The Bye-laws deal primarily with the Company's administration and the distribution of power between the Company's shareholders and its Board of Directors. Among other things, the Bye-laws generally contain provisions regarding procedures for the transfer of registered shares in the Company, changes to the Company's capital, general meetings and appointment and removal of directors and officers. The Bye-laws also often contain provisions on payment and distribution of dividends, allocation of sums to the reserves, capitalisation of profits, auditing, accounting, amendment of the Bye-laws and winding up. The Bye-laws of the Company are attached as Appendix 2 to this Prospectus.

The Bye-laws of a Bermuda company may be amended by resolutions approved by both the Board of Directors and the shareholders in general meeting in accordance with the provisions of the Bye-laws. No approvals from the Ministry of Finance in Bermuda or other governmental authorities are required. The Bye-laws of the Company provide that no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the shareholders. Bye-laws 75 and 77 shall not be rescinded, altered or amended and no new Bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-laws, until the same has been approved by a resolution of the Board including the affirmative vote of not less than 66% of the directors then in office and by a resolution of the shareholders including the affirmative vote of not less than 66% of the votes attaching to all shares in issue. The majority requirements in the Norwegian Public Limited Companies Act for the amendment of the Articles of Association (*vedtekter*) is the affirmative vote of at least two thirds of the votes cast and the share capital present at the general meeting.

### Shares and share capital

#### Shares, changes to the share capital, share issues and shareholders' rights

The BCA and the Company's Bye-laws draw a distinction between "issued" and "unissued" shares. Unissued shares form part of the Company's "authorised share capital", but have not yet been issued to any person. Consequently, the Company's "authorised share capital" consists of shares that are "issued" and "unissued". According to Bermuda law, the Company cannot issue shares over and above the authorised share capital. The authorised share capital of the Company may be increased by a resolution of the Board. Pursuant to the

present in person and representing in person or by proxy in excess of 30% of the total issued voting shares in the Company throughout the meeting shall form a quorum for the transaction of business.

If within half an hour from the time appointed for a general meeting of the Company, a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the secretary may determine. If the meeting shall be adjourned to the same day one week later or the secretary shall determine that the meeting is adjourned to a specific date, time and place, it is not necessary to give notice of the adjourned meeting other than by announcement at the meeting being adjourned. If the secretary shall determine that the meeting be adjourned to an unspecified date, time or place, fresh notice of the resumption of the meeting shall be given to each shareholder entitled to attend and vote thereat in accordance with the provisions of the Bye-laws.

Shareholders may be represented at the general meeting in person or by proxy. Shareholders may also participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting. In certain instances a resolution may be passed without a meeting and without any previous notice being required, by resolution in writing signed by all the shareholders who at the date of the resolution would be entitled to attend the meeting and vote on the resolution. In contrast, the Norwegian Public Limited Companies Act prescribes that a shareholder may only be represented in person or by proxy, at a general meeting.

Subject to the provisions of the BCA and the Company's Bye-laws, any question proposed for the consideration of the shareholders at any general meeting shall be decided by the affirmative votes of a majority of the votes cast. In the case of an equality of votes, whether on a show of hands or on a poll, the resolution shall fail.

#### **The Board**

##### **Election, quorum and voting requirements**

The Board of the Company shall consist of such number of directors being not less than four directors and not more than such maximum number of directors, not exceeding six directors, as the shareholders may from time to time determine. The Company's Board is divided into two classes of directors that are, as nearly as possible, of equal size. Each class of directors is elected for a two-year term, but the terms are staggered so that the term of only one class of directors expires at each annual general meeting. The shareholders may elect a person or persons to act as a director in the alternative to any one or more directors of the Company or may authorise the Board to appoint such alternate directors.

The Norwegian Public Limited Companies Act provides that the Articles of Association shall define the number of directors or a minimum and maximum number of directors of the Board. The Board must consist of a minimum of three directors.

Neither the BCA nor the Company's Bye-laws contain any provisions entitling the Company's employees to be represented on the Company's Board or any provisions with respect to a Corporate Assembly (Bedriftsrepresentasjon). Exempted Bermuda companies, the shares of which are listed on an appointed stock exchange, must have two directors or a director and a secretary that are ordinarily resident in Bermuda, or must have a resident representative in Bermuda, whether an individual or a company, and must maintain certain records (including minutes of meetings of directors and shareholders) at its registered office in Bermuda. The resident representative has the right to attend all meetings of the Company.

The Board is elected by the shareholders in general meeting by way of proportional voting (forholdstalsvalg), i.e. by a plurality of votes. Any shareholder or the Board may propose any person for election as a director. Where any person, other than a director retiring at the meeting or a person proposed for re-election or election as a director by the Board, is to be proposed for election as a director, notice must be given not less than seven days prior to the general meeting to the Company of the intention to propose him and of his willingness to serve as a director. The Bye-laws of the Company provide that, at any general meeting, the shareholders may authorise the Board to fill any vacancy in their number left unfilled at the general meeting.

Under the Norwegian Public Limited Companies Act, such prior notice of a candidate for the Board is not required.

##### **Powers of the Board**

The Company's Board is empowered to manage and conduct the business of the Company, but its powers and rights are limited by statute, its Bye-laws and directions given by the shareholders in a general meeting. In principle, this is in accordance with Norwegian company law, but it should be noted that the Company's Bye-

laws and Bermuda statutory law delegate certain powers to the Board which would either have been within the powers of the general meeting of a Norwegian company, or do not exist under Norwegian law, such as the directors' discretionary powers to distribute dividends or to make allocations to the Company's reserves, see below.

A Norwegian company shall have a managing director (who may or may not be a member of the Board) whose responsibility is the day-to-day management of the company. A Bermuda exempted company is not required to have a managing director, but must have a president and a vice president (or a chairman and a deputy chairman), who are also directors.

According to the Company's Bye-laws, the Board has power to charge any of the Company's assets and to borrow money without sanction by a general meeting.

The Company's Board may by power of attorney appoint a person or a company as the Company's attorney with such power, authority and discretion as the Board thinks fit, provided however that this does not exceed the powers vested in or exercisable by the Board. The Board may also authorise the attorney to sub-delegate any or all power, authorities and discretions vested in him by the Board. Furthermore, the Board may delegate any of its powers to committees consisting of such person or persons as the Board may decide. Under Norwegian law, the board of a company can delegate authority and appoint attorneys, but the authority or power that may be delegated or vest in an attorney is considerably more restricted.

##### **Dividends**

The Board may, subject to the Bye-laws and in accordance with the BCA, declare a dividend to be paid to the shareholders, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others. The Board may, before declaring a dividend, set aside out of surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose. The BCA provides that a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that either (i) the company is, or would after the payment be, unable to pay its liabilities as they become due or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities, issued share capital and share premium accounts.

Under Norwegian company law, the declaration of dividends always requires a sanction of a general meeting.

##### **Accounts**

The Company's Bye-laws require the Board to cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- all sales and purchases of goods by the Company; and
- all assets and liabilities of the Company.

Such records of account shall be kept at the registered office of the Company, or subject to the provisions of the BCA, at such other place as the Board thinks fit and shall be available for inspection by the Company's directors during normal business hours.

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31 December in each year.

Subject to any rights to waive laying of accounts or appointment of an auditor pursuant to the BCA, the accounts of the Company shall be audited at least once in every year. The report of the Auditor shall be submitted to the shareholders in general meeting and financial statements as required by the BCA shall be laid before the shareholders in a general meeting.

##### **Further information**

For further information concerning legal aspects of the Company, we refer to the BCA, the Company's Memorandum of Association and the Company's Bye-laws. Copies of these documents are available at the registered office of the Company.

**BW Offshore Limited**

Clarendon House  
2 Church Street  
Hamilton HM 11  
BERMUDA

**BW Offshore AS**

Drammensveien 149  
PO Box 33 Skøyen  
0277 Oslo  
NORWAY

Tel: +47 23 13 00 00  
Fax: +47 23 13 00 01  
[www.bwoffshore.com](http://www.bwoffshore.com)

**Carnegie ASA**

Stranden 1  
PO Box 684 Sentrum  
0106 Oslo  
NORWAY

Tel: +47 22 00 93 00  
Fax: +47 22 00 94 20  
[www.carnegie.no](http://www.carnegie.no)

