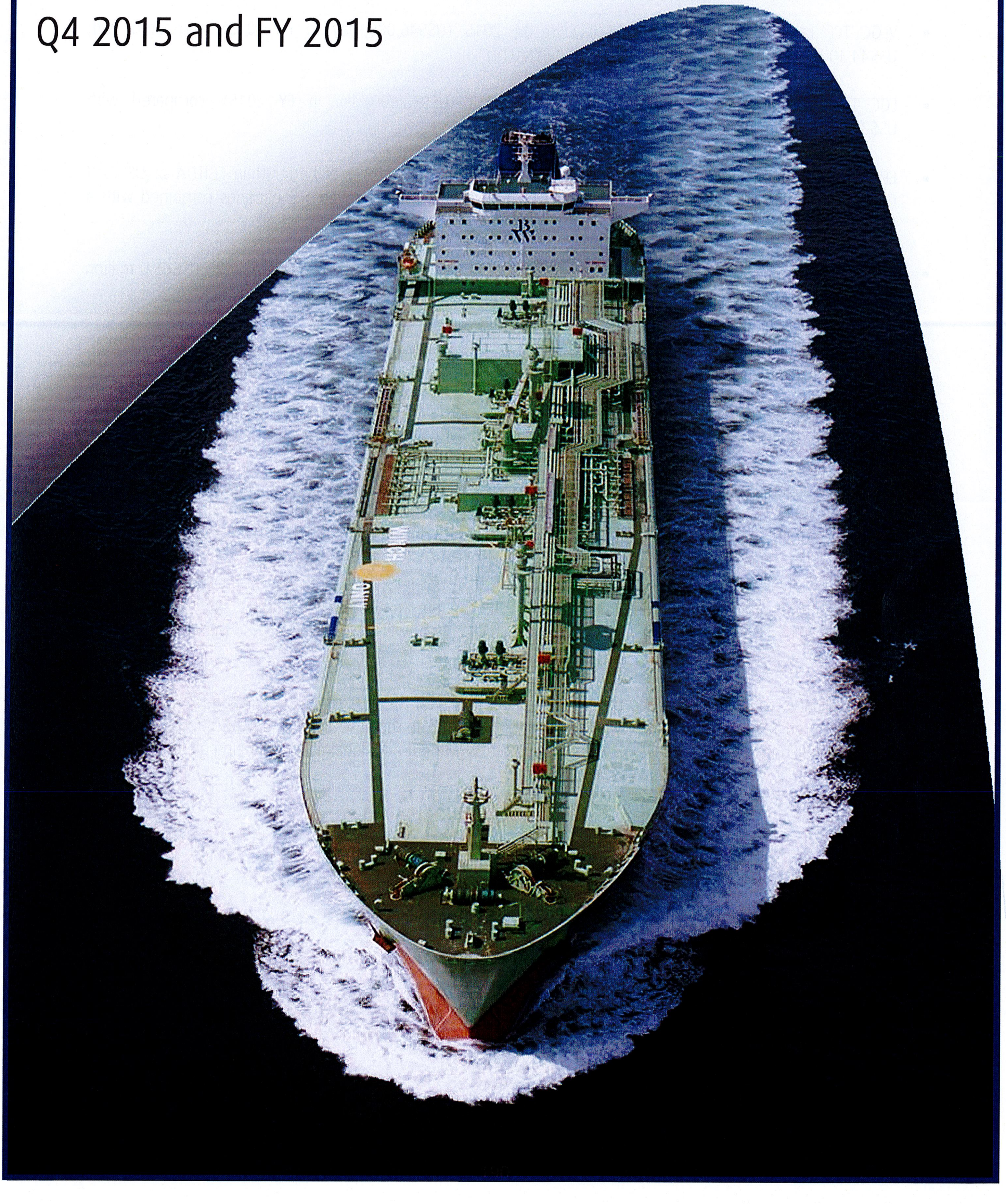
BW LPG Limited

BW LPG

Condensed Consolidated
Interim Financial Information
Q4 2015 and FY 2015



HIGHLIGHTS – Q4 2015 and FY 2015

- Time Charter Equivalent ("TCE") earnings were US$159.8 million in Q4 2015 (US$626.5 million in FY 2015), compared with US$138.7 million in Q4 2014 (US$539.2 million in FY 2014).

- VLGC TCE rates averaged US$43,500/day in Q4 2015 (US$46,000/day in FY 2015), compared with US$44,100/day in Q4 2014 (US$43,900/day in FY 2014).

- LGC TCE rates averaged US$44,100/day in Q4 2015 (US$38,600/day in FY 2015), compared with US$32,300/day in Q4 2014 (US$27,100/day in FY 2014).

- EBITDA of US$111.3 million in Q4 2015 (US$430.3 million in FY 2015) was better than EBITDA of US$87.9 million in Q4 2014 (US$340.0 million in FY 2014), primarily due to improved TCE earnings combined with a larger fleet.

- Profit after tax was US$82.0 million in Q4 2015 (US$326.1 million in FY 2015) compared with US$65.0 million in Q4 2014 (US$255.7 million in FY 2014), mainly due to stronger TCE earnings and a larger fleet.

- A VLGC newbuild from Hyundai Heavy Industries Co., Ltd. ("HHI"), BW Orion, was delivered on 15 October 2015. She was deployed in the Group's contract portfolio upon her delivery.

- At the date of this report, the fleet size of the Group comprises 35 VLGCs and five LGCs (December 2014: 31 VLGCs and five LGCs), plus six VLGC newbuilds (December 2014: seven VLGC newbuilds).

- The Group acquired 4,451,759 shares in Aurora LPG Holding ASA ("Aurora LPG") in December 2015, which represents 15.0% of the outstanding shares of Aurora LPG. The consideration of the acquisition was funded by the sale of 3,330,706 treasury shares amounting to US$27.2 million and by cash of US$7.0 million.

- A final cash dividend of US$0.68 per share for 2015 (2014: US$1.15 per share) will be recommended at the Company's forthcoming general meeting. Together with the interim dividend paid for H1 2015 of US$0.78 per share (H1 2014: US$0.76), the total dividend payout for FY 2015 will amount to US$1.46 per share (FY 2014: US$1.91 per share).

- On 27 January 2016, the Group had reached an agreement with the lenders of the existing US$700.0 million Senior Secured Term Loan and Revolving Credit Facility ("RCF") to increase the RCF by US$100.0 million from US$200.0 million to US$300.0 million at the existing terms without additional collateral being pledged.

SELECTED KEY FINANCIAL INFORMATION

Income Statement	(Reviewed) Q4 2015 US$ million	(Reviewed) Q4 2014 US$ million	Increase %	(Audited) FY 2015 US$ million	(Audited) FY 2014 US$ million	Increase %
Operating revenue	**191.9**	182.3	5.3	**773.3**	747.4	3.5
TCE income	**159.8**	138.7	15.2	**626.5**	539.2	16.2
EBITDA	**111.3**	87.9	26.6	**430.3**	340.0	26.6
Profit after tax (NPAT)	**82.0**	65.0	26.2	**326.1**	255.7	27.5
Basic & diluted EPS (US$ per share)	**0.61**	0.48	27.1	**2.44**	1.87	30.5

Balance Sheet	(Audited) 31 December 2015 US$ million	(Audited) 31 December 2014 US$ million
Cash & cash equivalents	**93.8**	70.2
Total assets	**2,109.8**	1,664.1
Total liabilities	**939.0**	583.1

PERFORMANCE REVIEW: Q4 2015

Operating revenue was US$191.9 million in Q4 2015 (US$182.3 million in Q4 2014). TCE income increased to US$159.8 million from US$138.7 million, mainly attributable to improved TCE earnings, resulting from continued strong utilisation, increased fleet size, especially in the VLGC segment, and lower bunker costs. These factors resulted in an increase in TCE income of US$15.7 million and US$5.4 million respectively, in the VLGC and LGC segments. The newbuild vessel, BW Orion was deployed into the Group's contract portfolio upon her delivery on 15 October 2015. The newbuild vessel, BW Libra, delivered on 31 August 2015, started to generate a full quarter earnings in Q4 2015.

Charter hire expenses decreased to US$18.7 million in Q4 2015 (US$24.2 million in Q4 2014) due to three fewer charter-in vessels. Other operating expenses increased to US$30.3 million in Q4 2015 (US$27.1 million in Q4 2014) mainly attributable to an overall larger fleet size.

EBITDA was US$111.3 million in Q4 2015 (US$87.9 million in Q4 2014), mainly as a result of improved TCE earnings and lower charter hire expenses.

Net finance expense increased to US$5.5 million in Q4 2015 (US$3.2 million in Q4 2014), primarily due to increased bank borrowings in line with the deliveries of five newbuild vessels in 2015.

Market values of vessels have remained stable as at 31 December 2015 with no indicators of impairment.

The Group reported a profit after tax of US$82.0 million in Q4 2015 (US$65.0 million in Q4 2014).

PERFORMANCE REVIEW: FY 2015

Operating revenue was US$773.3 million in FY 2015 (US$747.4 million in FY 2014). TCE income increased to US$626.5 million in FY 2015 from US$539.2 million in FY 2014, mainly attributable to improved TCE earnings, resulting from continued strong utilisation, increased fleet size, especially in the VLGC segment, and lower bunker costs. These factors resulted in an increase in TCE income of US$66.4 million and US$20.9 million respectively, in the VLGC and LGC segments. The five newbuild vessels delivered in 2015 were all deployed into the Group's contract portfolio.

Charter hire expenses decreased to US$79.6 million in FY 2015 (US$98.1 million in FY 2014) due to three fewer charter-in vessels. Other operating expenses increased to US$118.6 million in FY 2015 (US$102.9 million in FY 2014), mainly attributable to an overall larger fleet size.

EBITDA was US$430.3 million in FY 2015 (US$340.0 million in FY 2014), resulting mainly from improved TCE earnings and lower charter hire expenses.

Net finance expense increased to US$18.7 million in FY 2015 (US$12.6 million in FY 2014), primarily due to increased bank borrowings.

The Group reported a profit after tax of US$326.1 million in FY 2015 (US$255.7 million in FY 2014).

BALANCE SHEET

As at 31 December 2015, total assets amounted to US$2,109.8 million (31 December 2014: US$1,664.1 million), of which US$1,863.6 million (31 December 2014: US$1,472.4 million) represented the carrying value of the Group's vessels (including dry docking) and vessels under construction as follows:

	As at 31 December 2015		
	VLGC US$ million	LGC US$ million	Total US$ million
Vessels (including dry docking)	1,555.3	146.5	1,701.8
Vessels under construction	161.8	-	161.8
	1,717.1	146.5	1,863.6

Cash and cash equivalents amounted to US$93.8 million as at 31 December 2015 (31 December 2014: US$70.2 million). Cash flows from operating activities generated a net cash surplus of US$127.9 million in Q4 2015 (US$420.5 million in FY 2015). Together with proceeds from bank borrowings, cash flows from operating activities were principally utilised for instalment payments for newbuilds, payment for exercise of purchase option on two vessels, repayment of bank borrowings and interest payments, payment of dividend in respect of FY 2014 and H1 2015; and the acquisition of a 15.0% interest in Aurora LPG.

As at 31 December 2015, the Group has committed contracts with Hyundai Heavy Industries Co., Ltd. ("HHI") for the construction of two VLGCs at US$106.0 million and Daewoo Shipbuilding and Marine Engineering ("DSME") for the construction of four VLGCs at US$161.9 million.

MARKET OUTLOOK

Freight Rates & Demand

VLGC average earnings in the fourth quarter of 2015 were US$67,700 per day, or US$70 per ton on the benchmark Ras Tanura-Chiba route. This equates to a 20% year on year decline on a per ton basis, but only 10% in per day terms due to the rapid fall in bunker prices. VLGC earnings averaged US$88,000 per day throughout 2015, a 14% increase from last year, while the Baltic Index remained flat at US$92 per ton. On the key Houston to Far East route, the West-East propane arbitrage window was open from the end of October and for most of November, but has since remained closed following the decline in Asian naphtha and propane prices caused by the further collapse in crude oil. Interestingly, a growing number of fixtures were concluded at levels that were lower than the implied Houston-Chiba Baltic equivalent, in line with our view that shipowners will capture a smaller share of the arbitrage profit than previous years as shipping capacity increases.

Total LPG seaborne trade rose by 10% in 2015 to 85mt, led by an increase in US export volumes and a notable uptick in Chinese, Indian and Indonesian LPG import demand. BW LPG estimates seaborne US LPG export volumes were 20.5mt for full year 2015, while Middle Eastern LPG exports were approximately 35.6mt. Preliminary trade data suggests that China's LPG imports increased by 62% year on year (FY15 11.5mt), surpassing Japan (FY15 11.2mt) as the world's largest LPG importer in 2015. India (FY15 9.7mt) and Indonesia (FY15 4.2mt), led entirely by growing retail demand, raised LPG imports by 21% and 9%, respectively. This growth was slightly offset by a moderate decline in Korean (FY15 5.4mt) and Taiwanese (FY15 1.4mt) LPG imports as demand for price-sensitive feedstock switching demand fell on the back of lower naphtha prices.

Production

In its January 2016 Short Term Energy Outlook, the EIA revised its 2016 US LPG production growth forecast down from 6% to 2%, while also revising 2016 US LPG demand down from growth of 2% to a decline of 2% and increasing its export forecast to 25.2mt. The EIA's export forecast exceeds surplus LPG available for export of 23.5mt by 1.7mt, implying a drawdown from the record high LPG inventories throughout 2016. In light of the recent fall in crude oil prices, the revision, albeit negative, is constructive in that it still calls for growth in LPG production and is consistent with the EIA's 0.8% growth forecast for 2016 US natural gas production. With roughly 45% of US LPG production coming as a byproduct of natural gas production, additional pipeline takeaway capacity in the Northeast US has helped narrow the spread to Henry Hub prices and provided support to Marcellus/Utica production.

The two shale plays that have been most supportive of the EIA's 2016 natural gas (and by extension, LPG) production growth forecast are the prolific Marcellus basin, where natural gas production has contracted by 6% from peak levels, and the Utica which continues to hit new production highs (3.28mmcf/d in March 2016). Permian basin production remains the most resilient to low oil prices, but this is offset by Eagle Ford Basin oil production that has now contracted from Permian levels in January 2015 to 1.2mb/d, similar to the Bakken at 1.1mb/d. Given that crude oil production accounts for a quarter of US LPG production, the EIA's forecast of a 517kb/d contraction in 2016 US crude oil production should temper optimism for above consensus LPG growth.

Fleet Growth

The VLGC fleet grew by 6.7% and 21.5% in the fourth quarter and full year 2015, respectively. Driven by sustained high freight rates and a push to order newbuilds before the implementation of Tier III NOx emissions standards, VLGC newbuild orders amounted to 28 vessels in 2015, with half of those orders placed in the fourth quarter. BW LPG expects 47 VLGCs to enter service in 2016, with seven already having delivered.

2016 Outlook

BW LPG reiterates its forecast of heightened volatility in 2016. Having experienced a brief softening of freight rates down to US$43 per ton in early February and in line with seasonal trends, the VLGC market stabilized in the mid US$40s level and we used this window to maintain a balanced charter portfolio through 2016. The lifting of sanctions on Iran will have a significant impact across the energy markets. Iranian LPG export volumes were 4.7mt in 2015, with 60-70% of exports placed into China, largely for retail consumption. Longer term we expect further export potential from this market, but further capital investment will be required before export volumes in Iran can meaningfully grow. In the meantime, we expect continued competition between Middle East, largely CP-based LPG pricing and US LPG pricing, but remain convinced that volumes will continue to flow from both export markets.

REVIEWED AND AUDITED FINANCIAL REPORTS

The Condensed Consolidated Interim Financial Information of the Group for Q4 2015, prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting", have been reviewed by our auditors. See page 7.

The Condensed Consolidated Financial Statements of the Group for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards ("IFRS") have been audited by our auditors.

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Report on review of condensed consolidated interim financial information to the shareholders of BW LPG Limited and its subsidiaries

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of BW LPG Limited (the "Company") and its subsidiaries (the "Group") as at 31 December 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period from 1 October 2015 to 31 December 2015 that are set out on page 8 to 28. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 25 February 2016

PricewaterhouseCoopers LLP, 8 Cross Street #17-00, PWC Building, Singapore 048424
T: (65) 6236 3388, F: (65) 6236 3300, www.pwc.com/sg GST No.: M90362193L Reg. No.: T09LL0001D

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	(Reviewed) Q4 2015 US$'000	(Reviewed) Q4 2014 US$'000	(Audited) FY 2015 US$'000	(Audited) FY 2014 US$'000
Revenue		191,850	182,278	773,335	747,362
Voyage expenses		(32,030)	(43,564)	(146,843)	(208,192)
TCE income #		**159,820**	138,714	**626,492**	539,170
Other operating income		525	495	2,016	1,867
Charter hire expense		(18,732)	(24,189)	(79,609)	(98,099)
Other operating expenses		(30,304)	(27,117)	(118,639)	(102,893)
Operating profit before depreciation, amortisation and impairment (EBITDA)		**111,309**	87,903	**430,260**	340,045
Amortisation charge	3	(1,227)	(1,227)	(4,910)	(4,910)
Depreciation charge	4	(22,320)	(18,162)	(79,806)	(66,127)
Operating profit (EBIT)		**87,762**	68,514	**345,544**	269,008
Foreign currency exchange loss - net		(88)	(151)	(192)	(205)
Interest income		64	29	143	135
Interest expense		(5,150)	(2,448)	(16,844)	(10,383)
Other finance expense		(299)	(668)	(1,764)	(2,189)
Finance expense – net		**(5,473)**	(3,238)	**(18,657)**	(12,642)
Profit before tax for the financial quarter/year		**82,289**	65,276	**326,887**	256,366
Income tax expense		(275)	(275)	(749)	(697)
Profit after tax for the financial quarter/year (NPAT)		**82,014**	65,001	**326,138**	255,669

"TCE income" denotes "time charter equivalent income" which represents revenue from time charters and voyage charters less voyage expenses comprising primarily fuel oil, port charges and commission.

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	(Reviewed) Q4 2015 US$'000	(Reviewed) Q4 2014 US$'000	(Audited) FY 2015 US$'000	(Audited) FY 2014 US$'000
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Available-for-sale financial assets					
- Fair value losses		(2,625)	-	(2,625)	-
Cash flow hedges					
- Fair value gains/(losses)		4,849	(1,713)	(4,923)	(1,806)
- Reclassification to profit or loss		677	-	2,448	-
Other comprehensive income/(loss), net of tax		2,901	(1,713)	(5,100)	(1,806)
Total comprehensive income for the financial quarter/year		84,915	63,288	321,038	253,863
Profit attributable to:					
Equity holders of the Company		81,222	64,533	323,967	254,570
Non-controlling interests		792	468	2,171	1,099
		82,014	65,001	326,138	255,669
Total comprehensive income attributable to:					
Equity holders of the Company		84,123	62,820	318,867	252,764
Non-controlling interests		792	468	2,171	1,099
		84,915	63,288	321,038	253,863
Earnings per share attributable to the equity holders of the Company (expressed in US$ per share)					
Basic and diluted earnings per share		0.61	0.48	2.44	1.87

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED BALANCE SHEET

	Note	(Audited) 31 December 2015 US$'000	(Audited) 31 December 2014 US$'000
Charter-hire contracts acquired	3	12,471	17,381
Intangible asset		12,471	17,381
Derivative financial instruments	5	601	681
Available-for-sale financial assets	6	31,580	-
Vessels	4	1,662,116	1,282,424
Vessels under construction	4	161,762	153,838
Dry docking	4	39,683	36,173
Furniture and fixtures	4	373	497
Total property, plant and equipment		1,863,934	1,472,932
Total non-current assets		1,908,586	1,490,994
Inventories		9,072	15,629
Trade and other receivables		98,319	87,177
Derivative financial instruments	5	-	19
Cash and cash equivalents		93,784	70,245
Total current assets		201,175	173,070
Total assets		2,109,761	1,664,064
Share capital	7	1,363	1,363
Share premium		269,103	269,103
Treasury shares	8	(457)	(22,445)
Contributed surplus		685,913	685,913
Other reserves		(43,130)	(43,286)
Retained earnings		248,238	180,747
		1,161,030	1,071,395
Non-controlling interests		9,689	9,559
Total shareholders' equity		1,170,719	1,080,954
Borrowings	9	766,937	469,855
Deferred income		248	745
Derivative financial instruments	5	1,207	797
Total non-current liabilities		768,392	471,397
Borrowings	9	120,060	59,579
Deferred income		496	496
Derivative financial instruments	5	5,900	1,709
Current income tax liabilities		822	675
Trade and other payables		43,372	49,254
Total current liabilities		170,650	111,713
Total liabilities		939,042	583,110
Total equity and liabilities		2,109,761	1,664,064

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Audited)

	Note	Attributable to equity holders of the Company											
		Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Contributed surplus US$'000	Capital reserves US$'000	Fair value reserves US$'000	Hedging reserves US$'000	Share-based payment reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2015		1,363	269,103	(22,445)	685,913	(41,480)	-	(1,806)	-	180,747	1,071,395	9,559	1,080,954
Profit for the year		-	-	-	-	-	-	-	-	323,967	323,967	2,171	326,138
Other comprehensive loss for the year		-	-	-	-	-	(2,625)	(2,475)	-	-	(5,100)	-	(5,100)
Total comprehensive (loss)/ income for the year		-	-	-	-	-	(2,625)	(2,475)	-	323,967	318,867	2,171	321,038
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	-	35	-	35	-	35
Sale of treasury shares		-	-	21,988	-	5,221	-	-	-	-	27,209	-	27,209
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(2,041)	(2,041)
Dividend paid	14	-	-	-	-	-	-	-	-	(256,476)	(256,476)	-	(256,476)
Total transactions with owners, recognised directly in equity		-	-	21,988	-	5,221	-	-	35	(256,476)	(229,232)	(2,041)	(231,273)
Balance at 31 December 2015		1,363	269,103	(457)	685,913	(36,259)	(2,625)	(4,281)	35	248,238	1,161,030	9,689	1,170,719

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(Audited)

		Attributable to equity holders of the Company										
	Note	Share capital US$'000	Share premium US$'000	Treasury shares US$'000	Contributed surplus US$'000	Capital reserves US$'000	Hedging reserves US$'000	Share-based payment reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2014		1,363	268,987	-	685,913	(41,480)	-	13	50,203	964,999	9,730	974,729
Profit for the year		-	-	-	-	-	-	-	254,570	254,570	1,099	255,669
Other comprehensive loss for the year		-	-	-	-	-	(1,806)	-	-	(1,806)	-	(1,806)
Total comprehensive (loss)/income for the year		-	-	-	-	-	(1,806)	-	254,570	252,764	1,099	253,863
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	103	-	103	-	103
Issue of new shares		-	116	-	-	-	-	(116)	-	-	-	-
Purchase of treasury shares		-	-	(22,445)	-	-	-	-	-	(22,445)	-	(22,445)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	(1,270)	(1,270)
Dividend paid	14	-	-	-	-	-	-	-	(124,026)	(124,026)	-	(124,026)
Total transactions with owners, recognised directly in equity		-	116	(22,445)	-	-	-	(13)	(124,026)	(146,368)	(1,270)	(147,638)
Balance at 31 December 2014		1,363	269,103	(22,445)	685,913	(41,480)	(1,806)	-	180,747	1,071,395	9,559	1,080,954

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

	(Reviewed) Q4 2015 US$'000	(Reviewed) Q4 2014 US$'000	(Audited) FY 2015 US$'000	(Audited) FY 2014 US$'000
Cash flows from operating activities				
Profit before tax for the financial quarter/year	82,289	65,276	326,887	256,366
Adjustments for:				
- amortisation charge	1,227	1,227	4,910	4,910
- amortisation of deferred income	(124)	(124)	(496)	(496)
- depreciation charge	22,320	18,162	79,806	66,127
- derivative loss/(gain)	1,147	(395)	2,225	184
- interest income	(64)	(29)	(143)	(135)
- interest expense	5,150	2,448	16,844	10,383
- other finance expense	278	196	1,666	1,151
- share-based payments	8	16	35	103
Operating cash flow before working capital changes	112,231	86,777	431,734	338,593
Changes in working capital:				
- inventories	2,910	6,037	6,557	5,090
- trade and other receivables	5,495	35,185	(11,143)	34,852
- trade and other payables	7,234	2,784	(6,023)	2,918
Cash generated from operations	127,870	130,783	421,125	381,453
Taxes refund/(paid)	31	-	(602)	(22)
Net cash provided by operating activities	127,901	130,783	420,523	381,431
Cash flow from investing activities				
Purchases of property, plant and equipment	(107,568)	(76,123)	(467,322)	(181,039)
Investment in available-for-sale financial assets	(34,205)	-	(34,205)	-
Interest paid (capitalised interest expense)	(913)	(918)	(3,152)	(2,529)
Interest received	64	30	143	135
Net cash used in investing activities	(142,622)	(77,011)	(504,536)	(183,433)
Cash flows from financing activities				
Proceeds from bank borrowings	104,953	10,000	650,687	140,000
Payment of financing fees	(403)	-	(4,331)	-
Repayments of bank borrowings	(101,435)	(27,500)	(282,383)	(165,000)
Repayment of finance lease	-	(781)	(9,556)	(55,196)
Interest paid	(4,169)	(2,103)	(14,032)	(9,550)
Dividend paid	-	(14)	(256,476)	(124,026)
Finance expense paid	(219)	(271)	(1,525)	(1,173)
Sale/(Purchase) of treasury shares	27,209	(22,445)	27,209	(22,445)
Distributions to non-controlling interests	(545)	(932)	(2,041)	(1,270)
Net cash provided by/(used in) financing activities	25,391	(44,046)	107,552	(238,660)
Net increase/(decrease) in cash and cash equivalents	10,670	9,726	23,539	(40,662)
Cash and cash equivalents at beginning of the financial quarter/year	83,114	60,519	70,245	110,907
Cash and cash equivalents at end of the financial quarter/year	93,784	70,245	93,784	70,245

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial information.

1. General information

BW LPG Limited (the "Company") is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shipowning and chartering.

This Condensed Consolidated Interim Financial Information was approved for issue by the Board of Directors of the Company on 25 February 2016.

2. Significant accounting policies

(a) Basis of preparation

The Condensed Consolidated Interim Financial Information for the fourth quarter ended 31 December 2015 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In the preparation of this set of Condensed Consolidated Interim Financial Information, the same accounting policies have been applied as those used in the preparation of the annual financial statements for the year ended 31 December 2015.

The Group has not early adopted the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2016 or later periods. The Group does not anticipate the adoption of these changes to have a material impact on the Condensed Consolidated Interim Financial Information.

Critical accounting estimates and assumptions

The preparation of the Condensed Consolidated Interim Financial Information requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Condensed Consolidated Interim Financial Information, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

3. Intangible assets

	(Audited) Charter-hire contracts acquired US$'000
At 1 January 2015	17,381
Amortisation charge	(4,910)
At 31 December 2015	**12,471**
At 1 January 2014	22,291
Amortisation charge	(4,910)
At 31 December 2014	17,381

4. Property, plant and equipment

(Audited)	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Furniture and fixtures US$'000	Total US$'000
Cost					
At 1 January 2015	1,523,570	53,223	153,838	620	1,731,251
Additions	76,688	7,883	386,237	-	470,808
Transfer in/(out)	367,063	11,250	(378,313)	-	-
Write-off on completion of dry docking costs	-	(3,835)	-	-	(3,835)
At 31 December 2015	1,967,321	68,521	161,762	620	2,198,224
Accumulated depreciation and impairment charge					
At 1 January 2015	241,146	17,050	-	123	258,319
Depreciation charge	64,059	15,623	-	124	79,806
Write-off on completion of dry docking costs	-	(3,835)	-	-	(3,835)
At 31 December 2015	305,205	28,838	-	247	334,290
Net book value					
At 31 December 2015	1,662,116	39,683	161,762	373	1,863,934

4. **Property, plant and equipment** (continued)

(Audited)	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Furniture and fixtures US$'000	Total US$'000
Cost					
At 1 January 2014	1,449,082	41,260	65,241	316	1,555,899
Additions	1,907	17,622	163,943	304	183,776
Transfer in/(out)	72,581	2,765	(75,346)	-	-
Write-off on completion of dry docking costs	-	(8,424)	-	-	(8,424)
At 31 December 2014	1,523,570	53,223	153,838	620	1,731,251
Accumulated depreciation and impairment charge					
At 1 January 2014	187,792	12,824	-	-	200,616
Depreciation charge	53,354	12,650	-	123	66,127
Write-off on completion of dry docking costs	-	(8,424)	-	-	(8,424)
At 31 December 2014	241,146	17,050	-	123	258,319
Net book value					
At 31 December 2014	1,282,424	36,173	153,838	497	1,472,932

(a) Vessels with an aggregate carrying amount of US$1,261.7 million as at 31 December 2015 (31 December 2014: US$1,085.9 million) are secured on borrowings amounting to US$837.3 million (31 December 2014: US$529.4 million) (Note 9).

(b) For the year ended December 2015, interest amounting to US$3.5 million (2014: US$2.7 million) has been capitalised in vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 2.1% (2014: 2.1%) per annum.

5. Derivative financial instruments

	(Audited) 31 December 2015		(Audited) 31 December 2014	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Interest rate swaps	601	(4,882)	700	(2,506)
Bunker swaps	-	(2,225)	-	-
	601	(7,107)	700	(2,506)

As at 31 December 2015, the Group has interest rate swaps with total notional principal amounting to US$501.7 million, of which US$301.7 million will start in 2016.

Interest rate swaps are transacted to hedge interest rate risk on bank borrowings. After taking into account the effects of these contracts, for part of the bank borrowings, the Group effectively pays fixed interest rates ranging from 1.7% per annum to 2.2% per annum and receives a variable rate equal to either US$ three-month LIBOR or US$ six-month LIBOR. Hedge accounting is adopted by the Group for these contracts.

Bunker swaps are transacted to hedge bunker price risks. The Group did not adopt hedge accounting for these contracts. Fair value gains/losses of bunkers swaps are presented within "voyage expenses" in the Condensed Consolidated Interim Statement of Comprehensive Income.

6. Available-for-sale financial assets

	(Audited) 31 December 2015 US$'000	(Audited) 31 December 2014 US$'000
Quoted equity shares		
At cost	34,205	-
Fair value losses	(2,625)	-
At fair value	31,580	-

7. Share capital

As at 31 December 2015, the Company's share capital comprises 136,291,455 (31 December 2014: 136,291,455) fully paid common shares with a par value of US$0.01 (31 December 2014: US$0.01) per share.

8. Treasury shares

(Audited)	No. of shares 2015 '000	No. of shares 2014 '000	Amount 2015 US$'000	Amount 2014 US$'000
Balance as at 1 January	3,400	-	22,445	-
Acquisition of shares	-	3,400	-	22,445
Sale of shares	(3,331)	-	(21,988)	-
Balance as at 31 December	69	3,400	457	22,445

In December 2014, under a share buy-back programme announced by the Company, a total of 3,400,000 shares were acquired at an average price of NOK47.7 (US$6.60) per share. In December 2015, 3,330,706 shares were sold for a consideration of NOK237.8 million (US$27.2 million). The gain on disposal of the treasury shares amounting to US$5.2 million is recognised directly in "capital reserve" in the Consolidated Statement of Changes in Equity.

9. Borrowings

	(Audited) 31 December 2015 US$'000	(Audited) 31 December 2014 US$'000
Non-current		
Bank borrowings	766,937	469,855
Current		
Finance lease liabilities	-	9,556
Interest payable	2,792	1,072
Bank borrowings	117,268	48,951
	120,060	59,579
Total borrowings	886,997	529,434

Movements in borrowings are analysed as follows:

	US$'000
Balance as at 1 January 2015	529,434
Proceeds from bank borrowings	650,687
Financing fees	(4,331)
Interest expense	16,844
Interest capitalised	3,486
Less: Interest paid	(17,184)
Less: Principal repayments of bank borrowings	(282,383)
Less: Repayments of finance lease	(9,556)
Balance as at 31 December 2015	886,997

9. **Borrowings** (continued)

	US$'000
Balance as at 1 January 2014	608,589
Proceeds from bank borrowings	140,000
Interest expense	10,383
Interest capitalised	2,737
Less: Interest paid	(12,079)
Less: Principal repayments of bank borrowings	(165,000)
Less: Repayment of finance lease	(55,196)
Balance as at 31 December 2014	529,434

On 17 February 2015, the Group signed a 12-year Facility Agreement for a debt facility of up to US$400.0 million to provide post-delivery financing for seven VLGC newbuilds with HHI. This facility is amortised quarterly with a bullet payment at the end of the facility.

On 2 October 2015, the Group signed a one-year Senior Unsecured Revolving Credit Facility of US$100.0 million to provide general corporate and working capital.

Bank borrowings of the Group as at 31 December 2015 were US$887.0 million (31 December 2014: US$519.9 million), of which US$837.3 million (2014: US$519.9 million) are secured by mortgages over certain vessels of the Group (Note 4). In addition, the Company has provided corporate guarantees to three groups of lenders for the facilities granted to a subsidiary.

The finance lease liability as at 31 December 2014 relates to a vessel and it was fully repaid in May 2015 (31 December 2014: US$9.6 million).

The carrying amounts of current and non-current borrowings approximate their fair values.

10. **Related party transactions**

In addition to the information disclosed elsewhere in the Condensed Consolidated Interim Financial Information, the following transactions took place between the Group and related parties during the financial quarter/year at terms agreed between the parties:

(a) Services

	(Reviewed) Q4 2015 US$'000	(Reviewed) Q4 2014 US$'000	**(Audited) FY 2015 US$'000**	(Audited) FY 2014 US$'000
Support service fees charged by related parties*	**1,266**	1,449	**4,466**	5,744
Ship management fees charged by related parties*	**2,274**	1,823	**8,549**	7,264
Derivative loss reimbursed to a shareholder for a financial instrument entered on behalf of the Group	**-**	357	**-**	949

10. **Related party transactions** (continued)

	(Audited) 31 December 2015 US$'000	(Audited) 31 December 2014 US$'000
Trade and other payables		
- Related parties*	(18)	(954)
Other receivables		
- Related parties*	4,083	-

* "Related parties" refers to corporations controlled by one of the Company's shareholders.

(b) Key management's remuneration

	(Reviewed) Q4 2015 US$'000	(Reviewed) Q4 2014 US$'000	(Audited) FY 2015 US$'000	(Audited) FY 2014 US$'000
Salaries and other short term employee benefits	384	354	1,535	1,286
Post-employment benefits – contributions to defined contribution plans, share-based payment and termination benefits	6	28	78	144
Directors' fees	55	86	428	346
	445	468	2,041	1,776

11. **Commitments**

(a) Capital commitments

In 2013 and 2014, the Group entered into shipbuilding contracts with HHI for the construction of eight VLGC newbuilds. One vessel was delivered in 2014 and five vessels were delivered in 2015. The remaining two VLGC newbuilds will be delivered in the second quarter of 2016.

In April 2015, the Group took over existing shipbuilding contracts with DSME for the construction of four VLGC newbuilds. Three vessels are expected to be delivered in the fourth quarter of 2016 while one is expected to be delivered in the first quarter of 2017.

11. **Commitments** (continued)

(a) Capital commitments (continued)

The total cost of the six VLGC newbuilds not yet delivered as of 31 December 2015 amounted to US$424.4 million. As at 31 December 2015, the Group had paid US$156.5 million in instalments and these payments are capitalised and included in "vessels under construction". Capital commitments contracted for these six VLGC newbuilds at the balance sheet date but not recognised as at the balance sheet date are as follows:

	31 December 2015 US$'000	31 December 2014 US$'000
Vessels under construction	**267,921**	368,824

Undrawn commitments under the Facility Agreement (Note 9) along with cash flows from operations will be utilised to fund the remaining final instalment for one VLGC newbuild with HHI.

The Group is currently considering the different options to finance the remaining instalments for one VLGC newbuild with HHI and four VLGC newbuilds with DSME.

(b) Operating lease commitments – where the Group is a lessor

The Group leases vessels to non-related parties under operating lease agreements. The leases have varying terms.

The future minimum lease payments receivable under operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

	31 December 2015 US$'000	31 December 2014 US$'000
Not later than one year	**109,815**	130,556
Later than one year but not later than five years	**146,578**	120,583
	256,393	251,139

(c) Operating lease commitments – where the Group is a lessee

The Group leases vessels from non-related parties under operating lease agreements. The leases have varying terms.

The future aggregate minimum lease payments under operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	31 December 2015 US$'000	31 December 2014 US$'000
Not later than one year	**70,161**	93,602
Later than one year but not later than five years	**166,323**	289,386
Later than five years	**135,079**	208,413
	371,563	591,401

12. Financial risk management

The Group's activities expose it to a variety of financial risks; market risks (including currency risk and interest rate risk); credit risk; and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2015. There have been no major changes in any risk management policies or processes since the previous year end. However, there has been a change in both the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company. The new CFO and new CEO joined the Company with effect from 1 July 2015 and 1 August 2015, respectively.

(a) Market risk - interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's bank borrowings are at variable rates. The Group has entered into interest rate swaps to swap floating interest rates to fixed interest rates for certain portions of the bank borrowings (Note 5). If USD interest rates increase/decrease by 50 basis points (2014: 50 basis points) with all other variables including tax rate being held constant, the profit after tax in December 2015 will be lower/higher by approximately US$2.7 million (2014: US$2.6 million) as a result of higher/lower interest expense on these borrowings; total comprehensive income will be lower/higher by approximately US$9.7 million (2014: US$3.9 million).

(b) Financial instruments by category

The aggregate carrying amounts of loans and receivables, available-for-sale financial assets, financial derivative instruments and financial liabilities at amortised cost are as follows:

	31 December 2015 US$'000	31 December 2014 US$'000
Loans and receivables	183,015	145,804
Available-for-sale financial assets	31,580	-
Financial derivative instruments (liabilities) - net	6,506	1,806
Financial liabilities at amortised cost	917,599	570,748

12. **Financial risk management** (continued)

(c) Fair value measurements

Financial assets and liabilities are measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 US$'000	Level 2 US$'000	Total US$'000
2015			
Assets			
Available-for-sale financial assets	31,580	-	31,580
Derivative financial instruments	-	601	601
Total assets	31,580	601	32,181
Liabilities			
Derivative financial instruments	-	7,107	7,107
Total liabilities	-	7,107	7,107
2014			
Assets			
Derivative financial instruments	-	700	700
Total assets	-	700	700
Liabilities			
Derivative financial instruments	-	2,506	2,506
Total liabilities	-	2,506	2,506

The Group's available-for-sale financial assets fair value is based on quoted market prices at the balance sheet date (Note 6). The quoted market price used for the available-for-sale financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The Group's financial derivative instruments are measured at fair value are within Level 2 of the fair value hierarchy (Note 5). The fair value of financial derivative instruments that are not traded in an active market is determined by using valuation techniques. The fair values of interest rate swaps and bunker swaps are calculated as the present value of estimated future cash flows based on observable yield curves.

13. Segment information

The Group has two main operating segments:

(i) Very Large Gas Carriers (VLGCs); and
(ii) Large Gas Carriers (LGCs)

The operating segments are organised and managed according to the size of the LPG vessels. Management monitors the performance of these operating segments for the purpose of making decisions on resource allocation and performance assessment. This assessment is based on operating profit before depreciation, impairment, amortisation, gain or loss on disposal of property, plant and equipment and gain or loss on disposal of subsidiaries ("EBITDA"). This measurement basis excludes the effects of gain or loss on disposal of property, plant and equipment, impairment charges, and gain or loss on disposal of subsidiaries that are not expected to recur regularly in every financial period. Interest income is not allocated to segments, as financing is determined based on an aggregate investment portfolio rather than by segments. Unallocated items include general expenses that are not attributable to any segments.

13. **Segment information** (continued)

The reconciliation of the reports reviewed by Management based on EBITDA to the basis as disclosed in this Condensed Consolidated Interim Financial Information is as follows:

	VLGC	LGC	Total
Q4 2015	US$'000	US$'000	US$'000
Revenue	170,372	21,478	191,850
Voyage expenses	(30,845)	(1,185)	(32,030)
TCE income	139,527	20,293	159,820
EBITDA	98,776	15,664	114,440
Finance expense	19	3	22
Depreciation charge	(18,503)	(3,786)	(22,289)
Amortisation charge	(1,227)	-	(1,227)
	79,065	11,881	90,946
Unallocated items			(8,657)
Profit before income tax			82,289
FY 2015			
Revenue	694,664	78,671	773,335
Voyage expenses	(138,598)	(8,245)	(146,843)
TCE income	556,066	70,426	626,492
EBITDA	390,801	52,203	443,004
Finance expense	(182)	(1)	(183)
Depreciation charge	(65,613)	(14,069)	(79,682)
Amortisation charge	(4,910)	-	(4,910)
	320,096	38,133	358,229
Unallocated items			(31,342)
Profit before income tax			326,887
Segment assets as at 31 December 2015	1,816,302	150,642	1,966,944
Segment assets include:			
Additions to:			
- vessels	76,688	-	76,688
- vessels under construction	386,237	-	386,237
- dry docking	4,498	3,385	7,883
Segment liabilities as at 31 December 2015	898,617	3,615	902,232

13. **Segment information** (continued)

Q4 2014	VLGC US$'000	LGC US$'000	Total US$'000
Revenue	164,126	18,152	182,278
Voyage expenses	(40,292)	(3,272)	(43,564)
TCE income	123,834	14,880	138,714
EBITDA	80,036	9,830	89,866
Finance expense	(160)	(3)	(163)
Depreciation charge	(14,534)	(3,597)	(18,131)
Amortisation charge	(1,227)	-	(1,227)
	64,115	6,230	70,345
Unallocated items			(5,069)
Profit before income tax			65,276

FY 2014	VLGC US$'000	LGC US$'000	Total US$'000
Revenue	678,498	68,864	747,362
Voyage expenses	(188,810)	(19,382)	(208,192)
TCE income	489,688	49,482	539,170
EBITDA	320,240	32,003	352,243
Finance expense	(839)	(9)	(848)
Depreciation charge	(52,816)	(13,188)	(66,004)
Amortisation charge	(4,910)	-	(4,910)
	261,675	18,806	280,481
Unallocated items			(24,115)
Profit before income tax			256,366
Segment assets as at 31 December 2014	1,414,689	162,007	1,576,696
Segment assets include:			
Additions to:			
- vessels	1,907	-	1,907
- vessels under construction	163,943	-	163,943
- dry docking	13,636	3,986	17,622
Segment liabilities as at 31 December 2014	556,138	4,225	560,363

13. **Segment information** (continued)

Reportable segments' assets

The amounts provided to Management with respect to total assets are measured in a manner consistent with that of the Condensed Consolidated Interim Financial Information. For the purposes of monitoring segment performance and allocating resources between segments, Management monitors vessels, dry docking, charter-hire contracts acquired, inventories, trade and other receivables, and intangible assets that can be directly attributable to each segment.

	31 December 2015 US$'000	31 December 2014 US$'000
Segment assets	**1,966,944**	1,576,696
Unallocated items:		
Cash and cash equivalents	**93,784**	70,245
Derivative financial instruments	**601**	700
Available-for-sale financial assets	**31,580**	-
Other receivables	**16,479**	15,926
Property, plant and equipment	**373**	497
Total assets	**2,109,761**	1,664,064

Reportable segments' liabilities

The amounts reported to Management with respect to total liabilities are measured in a manner consistent with that of the Condensed Consolidated Interim Financial Information. These liabilities are allocated based on the operations of the segments. Borrowings and certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	31 December 2015 US$'000	31 December 2014 US$'000
Segment liabilities	**902,232**	560,363
Unallocated items:		
Derivative financial instruments	**7,107**	2,506
Other payables	**28,881**	19,566
Current income tax liabilities	**822**	675
Total liabilities	**939,042**	583,110

Geographical information

Non-current assets comprise mainly vessels and related capitalised dry docking expenses, and operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

14. Dividend paid

	(Audited) 31 December 2015 US$'000	(Audited) 31 December 2014 US$'000
Final dividend paid in respect of FY 2014 of US$1.15 (2014: In respect of FY 2013 of US$0.15) per share	**152,818**	20,440
Interim dividend paid in respect of H1 2015 of US$0.78 (2014: In respective of H1 2014 of US$0.76) per share	**103,658**	103,586
	256,476	124,026

A final cash dividend of US$0.68 per share for FY 2015 (FY 2014: US$1.15 per share), amounting to US$92.6 million (FY 2014: US$152.8 million) will be recommended at the Company's forthcoming annual general meeting. Of the 136,291,455 shares in issue, 69,294 are treasury shares acquired through a share buy-back programme and are not entitled to dividends. This Condensed Consolidated Interim Financial Information does not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

15. Subsequent events

(a) On 27 January 2016, the Group had reached an agreement with the lenders of the existing US$700.0 million Senior Secured Term Loan and Revolving Credit Facility ("RCF") to increase the RCF by US$100.0 million from US$200.0 million to US$300.0 million at the existing terms without additional vessels being pledged as collateral.

(b) A final cash dividend for FY 2015 will be recommended at the Company's forthcoming annual general meeting (Note 14).