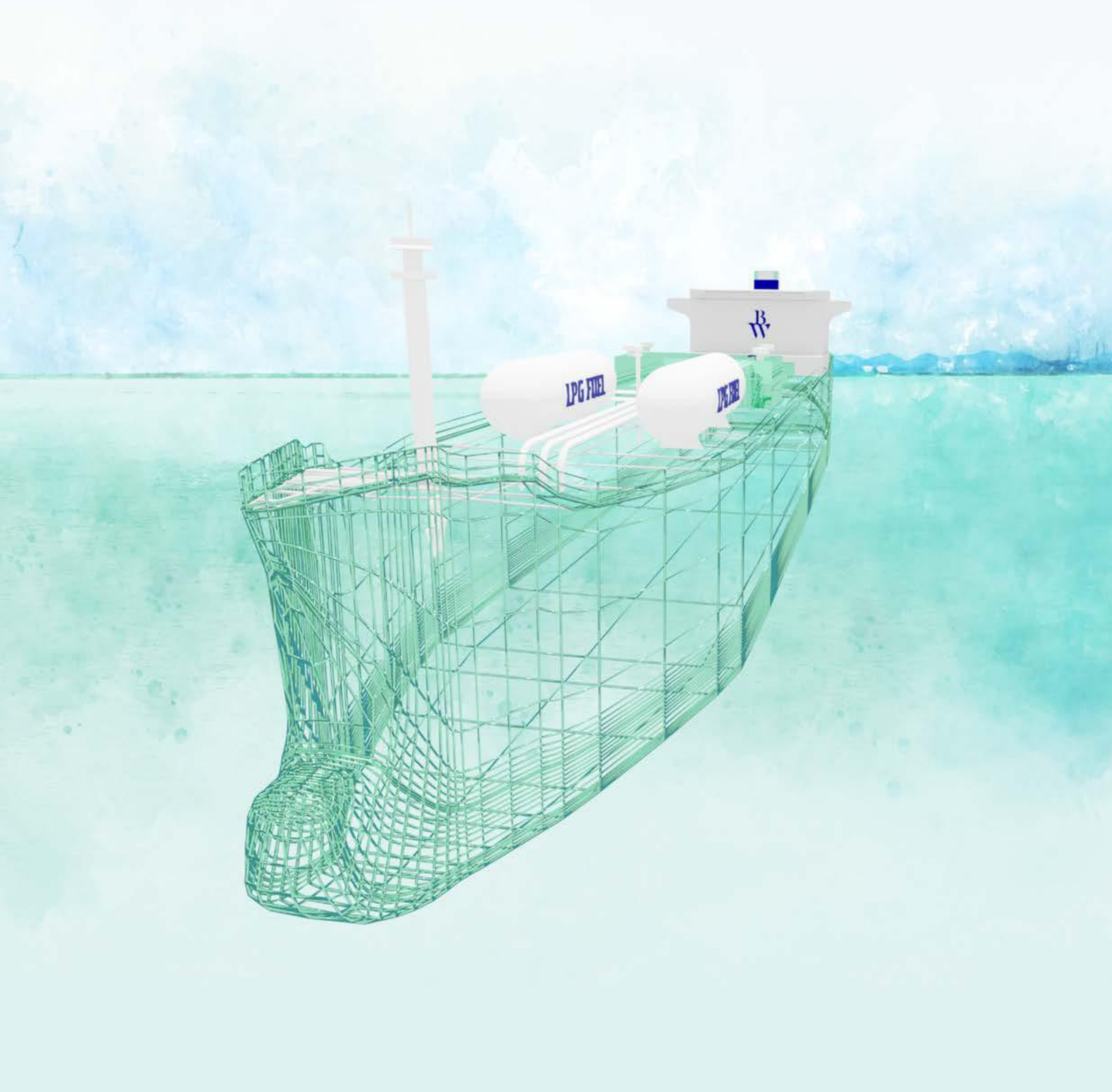
BW LPG Limited

Condensed Consolidated
Interim Financial Information
Q3 2019



FINANCIAL SUMMARY

SELECTED KEY FINANCIAL INFORMATION

Income Statement	Q3 2019 US$ million	Q3 2018 US$ million	Increase/ (Decrease) %	YTD September 2019 US$ million	YTD September 2018 US$ million	Increase/ (Decrease) %
Revenue	262.2	142.7	84	556.4	367.5	51
TCE income	184.7	81.8	126	355.7	216.3	64
EBITDA	149.4	35.0	327	244.7	68.4	258
Profit/(Loss) after tax	117.2	(2.8)	N.M	120.1	(38.3)	N.M
(US$ per share)						
Basic and diluted EPS	0.83	(0.02)	N.M	0.85	(0.27)	N.M
Balance Sheet				**30 September 2019 US$ million**	**31 December 2018 US$ million**	**Increase/ (Decrease) %**
Cash & cash equivalents				48.2	50.1	(4)
Total assets				2,414.9	2,259.9	7
Total liabilities				1,351.0	1,276.3	6
Financial ratios	**Q3 2019 %**	**Q3 2018 %**	**Increase/ (Decrease) %**	**30 September 2019 %**	**30 September 2018 %**	**Increase/ (Decrease) %**
ROE[1] (annualised)	46.3	(1.1)	N.M	15.6	(4.8)	N.M
ROCE[1] (annualised)	21.9	1.7	N.M	9.4	(0.1)	N.M
EBITDA margin[2]	80.9	42.8	89	68.8	31.6	118
Leverage ratio[3]	N.A.	N.A.	N.A	54.7	54.7	-

[1] ROE (return on equity) and ROCE (return on capital employed) is computed based on the average equity and capital employed at the end and beginning of the period.
[2] EBITDA margin is computed as EBITDA over TCE income.
[3] Leverage ratio is computed as total debt over total debt plus equity.

"N.M" denotes not meaningful.

HIGHLIGHTS – Q3 2019

- VLGC TCE rates averaged US$48,100/day in Q3 2019 (YTD 2019: US$30,100/day) compared with US$20,200/day in Q3 2018 (YTD September 2018: US$17,500/day).

- In Q3 2019, back to back time charter contracts were entered into which resulted in a US$10.4 million gain. These contracts are accounted for as finance leases.

- The net impact arising from the adoption of IFRS 16 'Leases' on Q3 2019 was an increase of US$5.7 million in EBITDA and a net increase in net profit after tax of US$8.9 million. See Note 2(e)(ii).

- Leverage ratio decreased from 59.1% in Q1 2019 to 54.7% in Q3 2019.

- The Board has amended the current dividend policy from a semi-annual to a quarterly dividend payout.

- The Board has also declared a further interim cash dividend of US$0.33 per share, amounting to US$45.7 million. The shares will be traded ex-dividend from 26 November 2019. The dividend will be payable on or about 6 December 2019 to shareholders of record as at 27 November 2019.

PERFORMANCE REVIEW – Q3 2019 AND YTD September 2019

Operating revenue was US$262.2 million in Q3 2019 (Q3 2018: US$142.7 million) and US$556.4 million in YTD September 2019 (YTD September 2018: US$367.5 million). Time Charter Equivalent ("TCE") income increased to US$184.7 million in Q3 2019 and US$355.7 million in YTD September 2019, mainly attributable to higher LPG spot rates and higher fleet utilisation.

The Group adopted IFRS 16 'Leases' on 1 January 2019 which resulted in the capitalisation of the lease components of all charter-in contracts as right-of-use assets with their corresponding lease liabilities, except for one contract with less than 12 months remaining in lease term which continues to be presented as charter hire expenses. The net impact of adopting IFRS 16 'Leases' was an increase of US$5.7 million and US$24.0 million on EBITDA for Q3 2019 and YTD September 2019, respectively and an increase in profit of US$8.9 million and US$7.5 million for Q3 2019 and YTD September 2019, respectively. See Note 2(e)(ii).

EBITDA increased to US$149.4 million and US$244.7 million for Q3 2019 and YTD September 2019, respectively, primarily due to higher TCE income.

Profit after tax was US$117.2 million for Q3 2019 (Q3 2018: loss after tax of US$2.8 million) and US$120.1 million for YTD September 2019 (YTD September 2018: loss after tax of US$38.3 million).

BALANCE SHEET

As at 30 September 2019, BW LPG had a fleet of 45 vessels, comprising 43 VLGCs and two LGCs. In addition, there are two VLGCs owned and operated by a joint venture and two time charter-in VLGC newbuilds that are under construction. Total assets amounted to US$2,414.9 million (31 December 2018: US$2,259.9 million), of which US$1,943.6 million (31 December 2018: US$2,006.1 million) represented the carrying value of the vessels (including dry docking) and US$115.2 million (31 December 2018: US$nil) represented the carrying value of the right-of-use assets (vessels).

Cash and cash equivalents amounted to US$48.2 million as at 30 September 2019 (31 December 2018: US$50.1 million). Cash flows from operating activities generated a net cash surplus of US$197.8 million in YTD September 2019 (YTD September 2018: net cash surplus of US$63.9 million). The cash flows from operating activities were principally utilised for repayment of bank borrowings and interest payments.

MARKET – Q3 2019

Freight Rates

The Baltic benchmark index for VLGCs averaged US$69.8 per ton or US$58,400 per day in Q3 2019. VLGC freight rates remained strong in the quarter despite a slight decrease in rates from July onwards. This was supported by overall strong U.S. LPG exports and high geographical LPG price arbitrage between the U.S. and the Far East.

LPG Exports

Global waterborne LPG trade reached 28.2 million tons, 14.1% growth year over year. Global LPG trade continues to be driven by the U.S. waterborne LPG exports which grew to 10.5 million tons, up 21.8% year over year.

Middle Eastern exports were down marginally by 0.6% year over year to 10.2 million tons. Exports from both Saudi Arabia and Iran fell; the decreased volumes were offset by increased exports from U.A.E and Qatar.

LPG Imports

In Q3, the increasing LPG export volumes were absorbed by Southeast Asia, Japan and Europe. Imports to China and India remained stable.

LPG imports to Southeast Asia increased significantly by 51.7% to 2.9 million tons, driven by Indonesia, Philippines and Vietnam. Year to date Southeast Asian imports have reached 8.0 million tons, 33.6% higher year over year.

Chinese imports decreased marginally by 0.5% to 23.3 million tons in Q3. However, year to date Chinese LPG imports reached 15.0 million tons, 13.2% higher than the same period last year. Year to date imports to India reached 10.4 million tons, 10.5% higher year over year.

Fleet Supply

In the third quarter, three VLGC newbuilds were delivered and none were recycled, representing a 5.7% growth in the number of vessels year over year. The global VLGC newbuild orderbook ended Q3 2019 with 41 vessels, equivalent to 14.7% of the total VLGC fleet of 278 vessels. Five vessels are expected to be delivered in the remainder of 2019, 19 in 2020 and 17 vessels in 2021. We identified four recycling candidates for 2020 and 2021.

Outlook

On September 14th 2019, Saudi Aramco’s processing facilities at Abqaiq and Khurais were attacked by drones. The effect on LPG exports has so far been limited, however any delays in the return to full LPG production could cause further temporary decline in exports from the Middle East. We maintain our short-term downward view on Middle Eastern exports mainly driven by the sanctions on Iranian and OPEC+ production cuts.

The planned expansion of the Enterprise terminal has been delayed, however total U.S. Gulf terminal capacity has been enough to support export growth. We expect the Enterprise terminal expansion to be completed in time to support the strong growth in U.S. exports through 2020.

We foresee the coming IMO 2020 regulation to have a positive impact on VLGC rates, mainly as a significant number of VLGCs are expected to be docked for scrubber retrofits. This further supports our positive freight outlook for the remainder of 2019 and 2020. However, for the longer term, we maintain our view that sustained U.S. LPG production growth and no further newbuild orders remain key to a balanced VLGC market.

RISK FACTORS

BW LPG's results are largely dependent on the worldwide market for the transportation of LPG. Market conditions for shipping activities are typically volatile and, as a consequence, the results may vary considerably from year to year. The market in broad terms is dependent upon the following factors: the supply of vessels, U.S. LPG export volumes and the demand for LPG. The supply of vessels depends on the number of newbuildings entering the market, the demolition of older tonnage and legislation that limits the use of older vessels or sets new standards for vessels used in specific trades. The demand side depends mainly on developments in the global economy.

BW LPG is also exposed to risk in respect of fuel oil costs. Fuel oil prices are affected by the global political and economic environment. This risk is managed by pricing contracts of affreightment with fuel oil adjustment clauses, or by entering into forward fuel oil contracts or other financial derivative instruments. For voyage contracts, the current fuel costs are priced into the contracts. Other risks that Management takes into account are interest rate risk, credit risk, liquidity risk and capital risk. Management does not expect the exposure to these risks to change materially to cause a significant impact on the performance of BW LPG in the remaining months of 2019.

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

Board of Directors
BW LPG Limited

Introduction

We have reviewed the accompanying consolidated balance sheet of BW LPG Limited ("the Company") and its subsidiaries ("the Group") as at 30 September 2019, the consolidated statements of comprehensive income and cash flows for the three-month and nine-month periods then ended, the consolidated statement of changes in equity for nine–month period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). 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 (ISRE) 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 30 September 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 November 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Revenue	3	262,178	142,671	556,400	367,499
Voyage expenses		(77,508)	(60,843)	(200,678)	(151,227)
TCE income#		184,670	81,828	355,722	216,272
Net gain from commodity contracts		219	-	719	-
Other operating income		60	118	277	3,039
Charter hire expenses		(3,757)	(16,716)	(12,027)	(50,097)
Other operating expenses		(31,812)	(30,243)	(99,961)	(100,785)
Operating profit before depreciation, amortisation and impairment (EBITDA)		149,380	34,987	244,730	68,429
Amortisation charge		-	(608)	-	(2,650)
Depreciation charge		(31,515)	(24,731)	(95,383)	(73,418)
		117,865	9,648	149,347	(7,639)
Gain from derecognition of right-of-use assets	2(e)(ii)	10,394	-	10,394	-
Gain on disposal of assets held-for-sale		-	-	1,783	5,727
Operating profit/(loss) (EBIT)		128,259	9,648	161,524	(1,912)
Foreign currency exchange (loss)/gain - net		(294)	6	(865)	(403)
Interest income		1,495	1,376	4,248	3,982
Interest expense		(13,242)	(13,014)	(44,392)	(37,270)
Derivative (loss)/gain		-	(42)	(182)	71
Other finance expense		(381)	(621)	(1,170)	(1,612)
Finance expense – net		(12,422)	(12,295)	(42,361)	(35,232)
Share of income/(loss) of a joint venture		1,776	-	1,776	(864)
Profit/(Loss) before tax for the financial period		117,613	(2,647)	120,939	(38,008)
Income tax expense		(420)	(157)	(814)	(252)
Profit/(Loss) after tax for the financial period (NPAT)		117,193	(2,804)	120,125	(38,260)

"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 information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges				
- fair value (loss)/gain	(884)	4,044	(22,234)	14,582
- reclassification to profit or loss	(188)	(529)	(1,558)	(374)
Share of other comprehensive loss of a joint venture	(22)	-	(22)	(51)
Other comprehensive (loss)/income, net of tax	(1,094)	3,515	(23,814)	14,157
Total comprehensive income/(loss) for the financial period	116,099	711	96,311	(24,103)
Profit/(Loss) attributable to:				
Equity holders of the Company	117,335	(2,804)	120,106	(37,444)
Non-controlling interests	(142)	-	19	(816)
	117,193	(2,804)	120,125	(38,260)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	116,241	711	96,292	(23,287)
Non-controlling interests	(142)	-	19	(816)
	116,099	711	96,311	(24,103)
Earnings/(Loss) per share attributable to the equity holders of the Company:				
(expressed in US$ per share)				
Basic and diluted earnings/(loss) per share	0.83	(0.02)	0.85	(0.27)

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

CONSOLIDATED BALANCE SHEET

	Note	30 September 2019 US$'000	31 December 2018 US$'000
Derivative financial instruments		286	6,580
Loan receivables from a joint venture	4	54,850	58,150
Finance lease receivables	5	39,203	-
Investment in a joint venture		1,754	-
Total other non-current assets		96,093	64,730
Property, plant and equipment	6	2,058,988	2,006,368
Total non-current assets		2,155,081	2,071,098
Inventories		23,866	28,015
Trade and other receivables		154,364	96,756
Derivative financial instruments		3,938	3,769
Loan receivables from a joint venture	4	5,636	5,408
Finance lease receivables	5	23,818	-
Assets held-for-sale		-	4,823
Cash and cash equivalents	7	48,154	50,075
Total current assets		259,776	188,846
Total assets		2,414,857	2,259,944
Share capital		1,419	1,419
Share premium		289,812	289,812
Treasury shares	8	(14,432)	(12,700)
Contributed surplus		685,913	685,913
Other reserves		(51,075)	(27,356)
Retained earnings		152,299	46,055
		1,063,936	983,143
Non-controlling interests		(37)	482
Total shareholders' equity		1,063,899	983,625
Borrowings	9	997,851	1,101,343
Lease liabilities	9	129,138	-
Derivative financial instruments		15,897	527
Provision for onerous contracts		-	1,100
Other provisions		579	230
Total non-current liabilities		1,143,465	1,103,200
Borrowings	9	114,569	133,353
Lease liabilities	9	42,712	-
Derivative financial instruments		29	839
Current income tax liabilities		734	309
Trade and other payables		49,449	38,618
Total current liabilities		207,493	173,119
Total liabilities		1,350,958	1,276,319
Total equity and liabilities		2,414,857	2,259,944

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company											
		Share capital	Share premium	Treasury shares	Contributed surplus	Capital Reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2019		1,419	289,812	(12,700)	685,913	(36,259)	8,914	16	(27)	46,055	983,143	482	983,625
Profit for the financial period		-	-	-	-	-	-	-	-	120,106	120,106	19	120,125
Other comprehensive loss for the financial period		-	-	-	-	-	(23,792)	-	(22)	-	(23,814)	-	(23,814)
Total comprehensive (loss)/income for the financial period		-	-	-	-	-	(23,792)	-	(22)	120,106	96,292	19	96,311
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	95	-	-	95	-	95
Purchases of treasury shares		-	-	(1,732)	-	-	-	-	-	-	(1,732)	-	(1,732)
Dividend paid	13	-	-	-	-	-	-	-	-	(13,862)	(13,862)	-	(13,862)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(538)	(538)
Total transactions with owners, recognised directly in equity		-	-	(1,732)	-	-	-	95	-	(13,862)	(15,499)	(538)	(16,037)
Balance at 30 September 2019		1,419	289,812	(14,432)	685,913	(36,259)	(14,878)	111	(49)	152,299	1,063,936	(37)	1,063,899

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Note	Attributable to equity holders of the Company											
		Share capital	Share premium	Treasury shares	Contributed surplus	Capital reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2018		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	124,938	1,070,256	3,292	1,073,548
Adjustment on initial application of IFRS 15		-	-	-	-	-	-	-	-	(7,483)	(7,483)	-	(7,483)
Restated balance at 1 January 2018		1,419	289,812	(1,565)	685,913	(36,259)	5,792	182	24	117,455	1,062,773	3,292	1,066,065
Loss for the financial period		-	-	-	-	-	-	-	-	(37,444)	(37,444)	(816)	(38,260)
Other comprehensive income/(loss) for the financial period		-	-	-	-	-	14,208	-	(51)	-	14,157	-	14,157
Total comprehensive income/(loss) for the financial period		-	-	-	-	-	14,208	-	(51)	(37,444)	(23,287)	(816)	(24,103)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	(154)	-	-	(154)	-	(154)
Reissue of treasury shares		-	-	15	-	-	-	(15)	-	-	-	-	-
Purchases of treasury shares		-	-	(11,150)	-	-	-	-	-	-	(11,150)	-	(11,150)
Distributions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,820)	(1,820)
Total transactions with owners, recognised directly in equity		-	-	(11,135)	-	-	-	(169)	-	-	(11,304)	(1,820)	(13,124)
Balance at 30 September 2018		1,419	289,812	(12,700)	685,913	(36,259)	20,000	13	(27)	80,011	1,028,182	656	1,028,838

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holders of the Company											
		Share capital	Share premium	Treasury shares	Contributed surplus	Capital reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 October 2018		1,419	289,812	(12,700)	685,913	(36,259)	20,000	13	(27)	80,011	1,028,182	656	1,028,838
Loss for the financial period		-	-	-	-	-	-	-	-	(33,956)	(33,956)	(174)	(34,130)
Other comprehensive loss for the financial period		-	-	-	-	-	(11,086)	-	-	-	(11,086)	-	(11,086)
Total comprehensive loss for the financial period		-	-	-	-	-	(11,086)	-	-	(33,956)	(45,042)	(174)	(45,216)
Share-based payment reserves - Value of employee services		-	-	-	-	-	-	3	-	-	3	-	3
Total transactions with owners, recognised directly in equity		-	-	-	-	-	-	3	-	-	3	-	3
Balance at 31 December 2018		1,419	289,812	(12,700)	685,913	(36,259)	8,914	16	(27)	46,055	983,143	482	983,625

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Cash flow from operating activities				
Profit/(Loss) before tax for the financial period	117,613	(2,647)	120,939	(38,008)
Adjustments for:				
- amortisation charge	-	608	-	2,650
- depreciation charge	31,515	24,731	95,383	73,418
- derivative (gain)/loss	-	(14)	-	89
- gain on disposal of assets held-for-sale	-	-	(1,783)	(5,727)
- interest income	(1,495)	(1,376)	(4,248)	(3,982)
- interest expense	13,242	13,014	44,392	37,270
- other finance expense	339	409	1,009	1,316
- share-based payments	35	3	95	(154)
- share of (income)/loss of a joint venture	(1,776)	-	(1,776)	864
- gain from derecognition of Right-of-use assets	(10,394)	-	(10,394)	-
	149,079	34,728	243,617	67,736
Changes in:				
- inventories	2,346	(8,224)	4,149	(13,072)
- trade and other receivables	(14,523)	(1,777)	(57,607)	1,651
- trade and other payables	(11,775)	2,009	10,518	2,992
- provision for onerous contracts	-	-	-	5,300
- derivative financial instruments	519	-	(1,118)	-
- margin account held with broker	(289)	-	(1,379)	-
Cash generated from operations	125,357	26,736	198,180	64,607
Tax paid	(159)	(261)	(389)	(709)
Net cash provided by operating activities	125,198	26,475	197,791	63,898
Cash flow from investing activities				
Purchases of property, plant and equipment	(1,829)	(3,992)	(10,097)	(9,968)
Proceeds from sale of assets held-for-sale	-	-	6,606	113,648
Loan to a joint venture	-	-	-	(33,000)
Repayment of loan receivable from joint venture	1,100	900	3,050	900
Repayment of finance lease	4,195	-	4,195	-
Interest received	1,497	1,376	4,270	3,941
Net cash provided by/(used in) investing activities	4,963	(1,716)	8,024	75,521

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Cash flow from financing activities					
Proceeds from bank borrowings		-	30,000	358,500	240,000
Payment of financing fees		(88)	-	(4,576)	(1,727)
Repayments of bank borrowings		(82,504)	(37,506)	(480,222)	(340,311)
Payment of lease liabilities		(8,725)	-	(23,635)	-
Interest paid		(11,911)	(11,093)	(40,370)	(33,538)
Other finance expense paid		(2,015)	(434)	(2,680)	(1,355)
Purchases of treasury shares		-	-	(1,732)	(11,150)
Drawdown of trust receipts		25,603	-	41,370	-
Repayment of trust receipts		(41,370)	-	(41,370)	-
Distributions to non-controlling interests		(436)	-	(538)	(1,820)
Dividend payment		(13,862)	-	(13,862)	-
Net cash used in financing activities		(135,308)	(19,033)	(209,115)	(149,901)
Net (decrease)/increase in cash and cash equivalents		(5,147)	5,726	(3,300)	(10,482)
Cash and cash equivalents at beginning of the financial period	7	51,922	40,340	50,075	56,548
Cash and cash equivalents at end of the financial period	7	46,775	46,066	46,775	46,066

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 listed on the Oslo Stock Exchange and incorporated and domiciled in Bermuda. The address of its registered office is Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, 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 21 November 2019.

2. Significant accounting policies

Basis of preparation

The Condensed Consolidated Interim Financial Information for the three-month and nine-month ended 30 September 2019 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 audited financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All interim balances and transactions during the three-month period ("Q3 2019") and nine-month period ("YTD September 2019") ended 30 September 2019 and the three-month period ("Q3 2018") and nine-month period ("YTD September 2018") ended 30 September 2018 were reviewed. The balances as at and transactions for the year ended 31 December 2018 ("FY 2018") were audited.

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 2018, except as described below.

IFRS 16 'Leases'

The Group has adopted IFRS 16 from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and liabilities representing its obligation to make leases payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. As a result, it applied IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(b) As a lessee

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

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(b) As a lessee (continued)

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Variable lease payments not dependent on an index or rate and lease payments arising from leases with lease terms less than 12 months are recognised as an expense as incurred, or on a straight-line basis over the lease term and presented within "charter hire expenses".

Payments made in relation to the non-lease components of the leases are recognised as an expense on a straight-line basis over the lease term and presented within "other vessel operating expenses".

(i) Transition

Previously, the Group classified time charter-in vessels as operating leases under IAS 17. The lease terms range up to 15 years. Some leases include renewal options after the end of the non-cancellable periods. Some leases provide for additional lease payments that are based on changes in certain indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term. Lease payments associated with these leases shall be recognised as an expense on a straight-line basis over the lease term.

- Applied IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review. As a result, the right-of-use asset was adjusted by the amount of provision for onerous leases recognised in the consolidated balance sheet immediately before 1 January 2019.

(c) As a lessor

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

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 in which it acts as a lessor. However, the Group has applied IFRS 15 'Revenue from Contracts with Customers' to allocate consideration in the contract to each lease and non-lease component.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(d) As an intermediate lessor

The accounting policy applicable to the Group as a lessor in the comparative period were the same under IFRS 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Finance lease receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in the statement of comprehensive income. Lease liability relating to the head lease is retained on the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Revenue". The right-of-use asset relating to the head lease is not derecognised.

For a contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

(e) Impact on financial statements

(i) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	As at 1 January 2019 US$'000
	Increase/(Decrease)
Right-of-use assets presented in property, plant and equipment	173,195
Lease liabilities	174,295
Provision for onerous contracts	(1,100)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 4%.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

IFRS 16 'Leases' (continued)

(e) Impact on financial statements (continued)

(i) Impact on transition (continued)

	As at 1 January 2019 US$'000
Operating lease commitment as at 31 December 2018 as disclosed in the Group's consolidated financial statement	400,945
Less:	
- Leases with commencement date after 1 January 2019	(129,079)
- Recognition exemption for leases with less than 12 months of lease term at transition	(11,148)
- Consideration allocated to non-lease components	(65,099)
	195,619
Discounted using the incremental borrowing rate as at 1 January 2019	(21,324)
Lease liabilities recognised at 1 January 2019	174,295

(ii) Impact for the period

In Q3 2019, back to back time charter contracts were entered and at the commencement of these contracts, finance lease receivables of US$67.2 million were recognised along with the derecognition of right-of-use assets of US$56.8 million. This has resulted in a derecognition gain of US$10.4 million.

The adoption of IFRS 16 resulted in the recognition of right-of-use assets of US$115.2 million (note 6), finance lease receivables of US$63.0 million (note 5) and lease liabilities of US$171.9 million (note 9) as at 30 September 2019.

The impact on profit and loss is summarised below.

	Q3 2019 US$'000	YTD September 2019 US$'000
Decrease in time charter revenue	(6,039)	(6,039)
Decrease in charter hire expenses	13,760	37,463
Increase in other operating expenses (non-lease components)	(2,041)	(7,471)
EBITDA	5,680	23,953
Gain on derecognition of right-of-use assets	10,394	10,394
Depreciation of right-of-use assets	(6,352)	(22,708)
Interest income (from finance lease receivable)	208	208
Interest expense (from lease liabilities)	(1,016)	(4,378)
Profit after tax	8,914	7,469

2. Significant accounting policies (continued)

Basis of preparation (continued)

Commodity contracts

Contracts to buy and sell commodities are accounted for as derivatives at fair value through profit or loss. Accordingly, the net settlement of these contracts are presented within "Net gain from commodity contracts" on the Consolidated Statement of Comprehensive Income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management whose members are responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgements

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 expenses. Actual results may differ from these estimates.

In preparing this Condensed Consolidated Interim Financial Information, the 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 2018.

3. Revenue

Charter revenue is disaggregated as follows:

	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Revenue				
- voyage charter	237,593	123,372	493,743	286,680
- time charter	24,585	19,299	62,657	80,819
	262,178	142,671	556,400	367,499

4. Loan receivables from a joint venture

The loan receivables from the joint venture are secured by two VLGCs, bear interest at LIBOR plus 4.5% per annum and are repayable by 2027 in consecutive quarterly instalments with a bullet payment upon maturity.

5. Finance lease receivables

In Q3 2019, back to back time charter contracts were entered and the subleases were accounted for as finance leases under IFRS 16. The adoption of IFRS 16 resulted in the recognition of net investment in the subleases as finance lease receivables of US$63.0 million as at 30 September 2019.

6. Property, plant and equipment

	Vessels US$'000	Dry docking US$'000	Furniture and fixtures US$'000	Right-of-use assets (Vessels) US$'000	Total US$'000
At 30 September 2019					
Cost	2,463,888	86,429	436	137,906	2,688,659
Accumulated depreciation and impairment charge	(554,951)	(51,759)	(252)	(22,709)	(629,671)
Net book value	**1,908,937**	**34,670**	**184**	**115,197**	**2,058,988**

	Vessels US$'000	Dry docking US$'000	Furniture and fixtures US$'000	Total US$'000
At 31 December 2018				
Cost	2,457,956	86,068	423	2,544,447
Accumulated depreciation and impairment charge	(495,544)	(42,384)	(151)	(538,079)
Net book value	1,962,412	43,684	272	2,006,368

(a) Vessels with an aggregate carrying amount of US$1,936.1 million as at 30 September 2019 (31 December 2018: US$1,995.8 million) were secured on borrowings (note 9).

(b) As at 30 September 2019, the Group has capital commitments relating to vessel upgrade of US$18.2 million.

7. Cash and cash equivalents

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2019 US$'000	31 December 2018 US$'000
Cash and cash equivalents per consolidated balance sheet	48,154	50,075
Less: Margin account held with broker	(1,379)	-
Cash and cash equivalents per consolidated statement of cash flows	46,775	50,075

8. Treasury shares

Pursuant to the Company's Long-term Management Share Option Plan ("LTIP 2017") announced on 21 April 2017, the third tranche of 568,000 shares were purchased during the period from 5 March 2019 to 11 March 2019 at an average price of US$3.0 (NOK26.6) per share for an aggregate consideration of US$1.7 million (NOK15.1 million). In 2018, pursuant to the same LTIP 2017 plan, the second tranche of 284,000 shares was purchased on 5 March 2018 at US$4.7 (NOK36.2) per share for an aggregate consideration of US$1.3 million (NOK10.3 million).

Pursuant to the Company's share buy-back programme announced on 6 March 2018, a total of 2,122,000 shares was purchased at an average price of US$4.65 (NOK36.0) per share for an aggregate consideration of US$9.9 million (NOK76.4 million) for the year ended 31 December 2018.

9. Borrowings and lease liabilities

	30 September 2019 US$'000	31 December 2018 US$'000
Borrowings		
Bank borrowings - non-current	997,851	1,101,343
Bank borrowings - current	108,097	127,643
Interest payable - current	6,472	5,710
	1,112,420	1,234,696
Lease liabilities		
Lease liabilities - non-current	129,138	-
Lease liabilities - current	42,712	-
	171,850	-

Movements in borrowings and lease liabilities are analysed as follows:

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2019	1,234,696	-	1,234,696
Adoption of IFRS 16 (note 2)	-	174,295	174,295
At 1 January 2019 (adjusted)	1,234,696	174,295	1,408,991
Proceeds from bank borrowings	358,500	-	358,500
Drawdown of trust receipts	41,370	-	41,370
Payment of financing fees	(4,576)	-	(4,576)
Interest expense	40,014	4,378	44,392
Lease liabilities	-	21,190	21,190
Less: Interest paid	(35,992)	(4,378)	(40,370)
Less: Principal repayments	(480,222)	(23,635)	(503,857)
Less: Principal repayments of trust receipts	(41,370)	-	(41,370)
At 30 September 2019	1,112,420	171,850	1,284,270

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2018	1,341,136	-	1,341,136
Proceeds from bank borrowings	240,000	-	240,000
Payment of financing fees	(1,727)	-	(1,727)
Interest expense	37,270	-	37,270
Less: Interest paid	(33,538)	-	(33,538)
Less: Principal repayments	(340,311)	-	(340,311)
At 30 September 2018	1,242,830	-	1,242,830
Proceeds from bank borrowings	25,000	-	25,000
Interest expense	13,135	-	13,135
Less: Interest paid	(13,764)	-	(13,764)
Less: Principal repayments	(32,505)	-	(32,505)
At 31 December 2018	1,234,696	-	1,234,696

As at 30 September 2019, bank borrowings amounting to US$1,112.4 million (31 December 2018: US$1,234.7 million) are secured by mortgages over certain vessels of the Group (note 6).

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 period at terms agreed between the parties:

(a) Services

	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Corporate service fees charged by related parties*	1,543	1,291	4,455	3,757
Corporate service fees charged to related parties*	60	-	180	-
Ship management fees charged by related parties*	583	1,749	2,001	5,702

	30 September 2019 US$'000	31 December 2018 US$'000
Other receivables - related parties*	8,478	7,159
Other payables - related parties*	760	-

* "Related parties" refer to corporations controlled by a shareholder of the Company.

(b) Key management's remuneration

	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Salaries and other short-term employee benefits	613	520	1,730	1,515
Post-employment benefits - contributions to defined contribution plans and share-based payment	37	5	105	18
Directors' fees	109	109	318	357
	759	634	2,153	1,890

(c) Others

	Q3 2019 US$'000	Q3 2018 US$'000	YTD September 2019 US$'000	YTD September 2018 US$'000
Interest income from a joint venture	1,148	1,211	3,596	3,473
Sale of a vessel to a joint venture	-	-	-	33,000

11. Financial risk management

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 2018. There have been no major changes in any risk management policies or processes and persons managing these policies and processes since the previous year end.

(a) Financial instruments by category

The aggregate carrying amount of the Group's financial instruments are as follows:

	30 September 2019 US$'000	31 December 2018 US$'000
Net derivative (liabilities)/assets measured at fair value	(11,702)	8,983
Financial assets at amortised cost	306,046	200,970
Financial liabilities at amortised cost	1,331,485	1,271,489

(b) Estimation of fair value

IFRS 13 established a fair value hierarchy that prioritises inputs used to measure fair value. The three levels of the fair value input hierarchy defined by IFRS 13 are as follows:

(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 (i.e. as prices) or indirectly (i.e. 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).

Derivative financial assets and liabilities

The Group's financial derivative instruments primarily relate to interest rate swaps, bunker swaps and commodity contracts measured at fair value and are within Level 2 of the fair value hierarchy. The fair values of financial derivative instruments that are not traded in an active market are determined by using valuation techniques. The fair values of interest rate swaps are calculated at the present value of estimated future cash flows based on observable yield curves. The fair values of bunker swaps and commodity contracts measured at fair value are determined using quoted forward commodity indices at the balance sheet date.

Non-derivative non-current financial assets and liabilities

The carrying amount of non-derivative non-current financial assets and liabilities which bear floating interest rates are assumed to approximate their fair value because of the short repricing period. There are no non-current financial assets and liabilities which do not bear floating interest rates.

Non-derivative current financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value because of the short period to maturity.

12. Segment information

The Group has three main operating segments:
(i) Very Large Gas Carriers (VLGCs);
(ii) Large Gas Carriers (LGCs); and
(iii) Product Services

The Group's shipping activities are predominantly generated from the VLGC fleet with the reduction in the LGC fleet size as well as Management's continued primary focus on the VLGC segment.

The Product Services Division was established on 25 February 2019 to support the Group's core shipping business and commenced its product trading and delivery services in Q2 2019.

Both the LGC and Product Services segments represent less than ten percent of the Group's total assets, revenue and profit or loss. The Group has determined that these segments are not material to the Group for the period ended 30 September 2019, and has reported information as one combined segment.

<u>Geographical information</u>

Non-current assets comprise mainly vessels, operating 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.

13. Dividend paid

An interim dividend of US$13.9 million (US$0.10 per share) was paid on 13 September 2019 in respect of H1 2019. In the corresponding period last year, no interim dividend was paid in respect of H1 2018.

14. Subsequent events

In October 2019, the Group entered into agreements to sell two LGCs. The sale is expected to generate US$30.8 million of liquidity and a net gain of US$8.9 million. The LGCs are expected to be delivered in Q1 2020.

The Board has amended the current dividend policy from a semi-annual to a quarterly dividend payout.

The Board has also declared a further interim cash dividend of US$0.33 per share, amounting to US$45.7 million. The shares will be traded ex-dividend from 26 November 2019. The dividend will be payable on or about 6 December 2019 to shareholders of record as at 27 November 2019. This Condensed Consolidated Interim Financial Information does not reflect this interim dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2019.