

# BW LPG LIMITED



BW LPG Limited  
Condensed Interim Consolidated Financial Information  
Third quarter 2013

## HIGHLIGHTS - THIRD QUARTER 2013

- Time Charter Equivalent (TCE) earnings were USD 75.9 million in Q3 2013, compared with USD 73.7 million in Q3 2012
- VLGC TCE rates averaged USD 32,600 / day in Q3 2013, compared with USD 31,200 / day in Q3 2012.
- EBITDA of USD 42.0 million in Q3 2013 was slightly below EBITDA of USD 42.8 million in Q3 2012, with the improvement in TCE earnings offset by increases in operating expenses resulting primarily from fleet additions, most of which were not yet contributing revenues for the full quarter
- Net profit of USD 68.9 million for Q3 2013 was USD 49.6 million higher than the USD 19.3 million recorded for Q3 2012, mainly due to improving vessel valuations
- These improved vessel valuations have led to a write back of impairment charge on the vessels of USD 42.9 million in Q3 2013 whereas an impairment charge of USD 7.5 million was booked in Q3 2012
- During Q3 2013, BW LPG witnessed a significant shift in trading patterns, with US export liftings increasing to double the average liftings per quarter in the first half, in line with expanding terminal capacity
- On 1 November 2013, BW LPG exercised two options to contract newbuild VLGCs with Hyundai Heavy Industries in Korea, expanding its newbuilding program to six VLGCs to be delivered between 2014 and 2016
- On 21<sup>st</sup> November, BW LPG completed its Initial Public Offering on the Oslo Børs, raising NOK 1,705 million (approximately USD 280 million at exchange rate USD-NOK 6.09) through the issuance of 36,276,383 new shares

## SELECTED KEY FINANCIAL INFORMATION

All figures in US\$ millions	Quarter ended 30-Sept-2013	Quarter ended 30-Sept-2012	Year-to-date 30-Sept-2013	Year-to-date 30-Sept-2012
<b><i>Income Statement</i></b>				
Operating revenue	112.4	112.6	295.5	287.8
TCE income	75.9	73.7	187.0	171.0
EBITDA	42.0	42.8	90.4	76.8
Net profit	68.9	19.3	89.8	15.1
<b><i>Balance Sheet</i></b>				
Cash & cash equivalents	11.1	22.2		
Total assets	1,241.2	1,119.6		
Total liabilities	1,149.6	1,115.2		
Basic & Diluted EPS (USD per share)	67.8			

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## **PERFORMANCE REVIEW: 3<sup>rd</sup> QUARTER 2013**

Operating revenues were USD 112.4 million in Q3 2013, compared with USD 112.6 million in Q3 2012. TCE income increased from USD 73.7 million to USD 75.9 million. An increase in TCE income of USD 6.6 million in the VLGC segment, driven by a combination of improving rates and additional voyage days due to increased fleet size, was partially offset by a decrease of USD 4.4 million in the LGC segment during the period. This results from lower utilization in the sector due to drydocking of one vessel and switching cargoes from ammonia to LPG on others.

Operating expenses were USD 34.0 million for the quarter, increasing from USD 30.9 million in Q2 2012, with the increase driven by one-off and continuing costs related to vessel acquisitions, albeit most of those acquired vessels were not contributing fully to TCE income in Q3 2013.

Operating profit before depreciation, amortization and impairment of USD 42.0m for the quarter was in line with USD 42.8 million for Q3 2012, resulting from the improvement in TCE income offset by one-off operating costs related to vessel acquisitions completed during Q3 2013.

Net finance expense increased from USD 1.0 million in Q3 2012 to USD 1.4 million in Q3 2013, primarily due to increased interest costs on the financing of three vessels.

Vessel values improved with write-backs in prior vessel impairments of USD 42.9 million (Q3 2012: impairment of USD 7.5 million) due to the improving fleet valuations, reflecting the improving market environment.

Consequently, the Group's net profit increased from USD 19.3 million in Q3 2012 to USD 68.9 million in Q3 2013.

## **PERFORMANCE REVIEW: YEAR-TO-DATE SEPTEMBER 2013**

Operating revenues were USD 295.5 million year to date, compared with USD 287.8 million YTD September 2012. TCE income increased from USD 171.0 million to USD 187.0 million, driven by improvements in both VLGC and LGC segments.

Operating expenses were USD 97.0 million year to date, increasing from USD 94.5 million in the comparative period, with the increase driven by one-off takeover and stocking-up costs for vessel acquisitions completed during Q3 2013.

Operating profit before depreciation, amortization and impairment of USD 90.4 million year to date improved against USD 76.8 million in the comparative period in 2012, driven by the improvements in TCE income offset by one-off operating costs related to vessel acquisitions.

Net finance expense increased from USD 2.5 million in the first nine months of 2012 to USD 3.3 million year to date 2013, reflecting increased financing costs on three vessels.

Vessel values improved due to write-backs against prior vessel impairments of USD 47.3 million (YTD Q3 2012: impairment of USD 17.2 million) due to improving fleet valuations.

Consequently, the Group's net profit increased from USD 15.1 million for the nine months ended 30 September 2012 to USD 89.8 million for the nine months ended 30 September 2013.

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## BALANCE SHEET

As of 30 September 2013, total assets amounted to USD 1,241.3 million (USD 1,119.6 million as of 31 December 2012) of which USD 1,067.2 million represented the capitalized value of the Group's vessels (including dry docking) and vessels under construction as follows:

- VLGC vessels (including dry docking) – USD 874.3 million
- VLGC vessels under construction – USD 28.8 million
- LGC vessels (including dry docking) – USD 164.1 million

Cash and cash equivalents amounted to USD 11.1 million as of 30 September 2013 (USD 22.2 million as of 31 December 2012).

Vessel acquisitions during the nine months ended 30 September 2013 include the BW Birch and the BW Empress.

Vessel disposals during the nine months ended 30 September 2013 include the VLGC BW Danuta and the MGC BW Havlys. In addition, the MGC BW Hermes was committed for disposal at its 31 August 2013 carrying value. This transaction completes the exit from the MGC segment pre-IPO, with the vessel targeted for scrapping within 2013.

As of 30 September 2013, the Group had outstanding contracts with Hyundai Heavy Industries Co., Ltd. ("HHI") for the construction of four new VLGCs, and had paid USD 28.6 million in installments on these newbuilds.

## DEVELOPMENTS SUBSEQUENT TO QUARTER END

The Group announced its acquisition of the Maersk VLGCs in May 2013. The acquired fleet comprises five owned VLGCs, five existing time charter-in contracts and two Contracts of Affreightment ("CoAs"). The five charter-in vessels are contracted at daily rates between USD 23,000 and USD 30,400 with expiry dates between January 2014 and January 2028, while the two CoAs expire in January 2014 and March 2014, respectively. The Group took delivery of the first of these vessels in late September 2013, and the last in early November 2013.

On 1 November 2013, the Group exercised options for the construction of two additional VLGCs with HHI. The two option vessels are scheduled for delivery in Q2 2016 and Q3 2016, respectively. On 4 November 2013, the shipyard has confirmed that steel cutting on one of the Group's newbuilds commenced earlier than planned. As a result of these developments, further capital payments amounting to USD 21.9 million will be due in Q4 2013.

The Group (as charterers) gave notice on 16 October 2013 to cancel the bareboat charterparty with BW Gas Tailwind Carriers Pte Ltd (as owners) for the charter-in of BW Trader. The Group exercised its option to take ownership of the vessel and its related loan amount of USD 52.1 million which will be settled on delivery in January 2014. In conjunction with the acquisition of the vessel, the Group will dispose its 50% interest in BW Gas Tailwind Carriers Pte Ltd for a nominal amount.

## DEVELOPMENTS SUBSEQUENT TO QUARTER END (CONT'D)

One of the VLGC pool participants has exited the VLGC pool, and in doing so transferred its one-third interest in each of the BW Kyoto and BW Tokyo to the remaining pool participants, one of which is a subsidiary of the Group, in exchange for settlement of an outstanding working capital contribution. Thus the Company and the other pool participant each have a 50% interest in each of BW Kyoto and BW Tokyo. The final payment of USD 0.7 million from the exiting pool participant has subsequently been received by BW LPG.

During November, the Group signed a loan facility with a syndicate of banks consisting of a 7-year senior secured facility (the Facility) in the aggregate principal amount of USD 700 million, which comprises an amortising term loan facility of USD 500 million (the "Term Loan") and a revolving credit facility of USD 200 million (the "RCF"). The amounts borrowed under the Facility have been applied to refinance the shareholders' loan and for the general corporate and working capital purposes of the Group following the listing on the Oslo Stock Exchange.

On 21 November 2013, the Company successfully listed on the Oslo Stock Exchange upon completion of its Initial Public Offering ("IPO"). The Company issued 36,276,383 new shares in connection with the IPO at a price of NOK 47, and raising gross primary proceeds of NOK 1,705 million (USD 280 million at USDNOK 6.09). The offer price of NOK 47 per share implies a market capitalisation of BW LPG of approximately NOK 6.4 billion (USD 1.05 billion at USD-NOK 6.09).

The company estimates the cost of the IPO to be approximately US\$13 million as envisaged prior to the IPO and disclosed in the prospectus. A portion of this cost will be net off against the share premium account where it relates to the issuance of new ordinary shares. The remaining costs will be recognised as an expense in the profit and loss. This cost will be finalized and accounted for in the fourth quarter of 2013.

In connection with the IPO, the Company entered into support agreements during November 2013 with the BW Group for services relating to the management of its fleet and for certain administrative support services, as set out in the prospectus for the IPO.

## MARKET OUTLOOK

Since 30 September 2013, LPG export markets have continued to develop favorably, driven particularly by rapidly expanding exports from the US. The solid growth in LPG export tonne-miles seems set to continue, with visibility of additional export terminal capacity due to come online in the US.

With completion of the acquisitions of five owned VLGCs and five charter-in VLGCs from Maersk, the Company is well-positioned to benefit from the resultant increase in requirement for sea-borne transportation of LPG from the US.

In late November it was announced that sanctions on Iranian exports of certain petrochemical products (including possibly LPG) will be temporarily lifted, which we estimate could see 2-3 million tonnes per annum become available for international consumption.



## REPORT ON REVIEW OF COMBINED CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF BW LPG LIMITED AND ITS SUBSIDIARIES

### *Introduction*

We have reviewed the accompanying combined condensed balance sheet of BW LPG Limited (“the Company”) and its subsidiaries (“the Combined Group”) as of 30 September 2013 and the related combined condensed statements of comprehensive income, changes in equity and cash flows for the 9-month period then ended that are set out on pages 7 to 26. Management is responsible for the preparation and presentation of this combined condensed interim financial information in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this combined condensed 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 combined condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers LLP' with a stylized flourish at the end.

PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants  
Singapore, 29 November 2013

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**COMBINED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

(Unaudited figures in US\$ thousands)	Note	3 months ended 30 Sep 2013	3 months ended 30 Sep 2012	9 months ended 30 Sep 2013	9 months ended 30 Sep 2012
Revenue		112,375	112,589	295,543	287,835
Voyage expenses		<u>(36,471)</u>	<u>(38,864)</u>	<u>(108,585)</u>	<u>(116,877)</u>
<b>TCE income #</b>		<b>75,904</b>	<b>73,725</b>	<b>186,958</b>	<b>170,958</b>
Other operating income		124	18	372	378
Other operating expenses		<u>(33,979)</u>	<u>(30,905)</u>	<u>(96,910)</u>	<u>(94,525)</u>
<b>Operating profit before depreciation, amortisation and impairment</b>		<b>42,049</b>	<b>42,838</b>	<b>90,420</b>	<b>76,811</b>
Gain/(Loss) on disposal of property, plant and equipment		2	-	(880)	-
Loss on disposal of subsidiaries	6	<u>(1,025)</u>	<u>-</u>	<u>(1,025)</u>	<u>-</u>
		<b>41,026</b>	<b>42,838</b>	<b>88,515</b>	<b>76,811</b>
Amortisation charge	4	(1,580)	(1,774)	(5,108)	(5,321)
Depreciation charge	5	(12,055)	(13,261)	(37,613)	(36,746)
Write-back of impairment charge/(impairment charge) - net	5	<u>42,900</u>	<u>(7,500)</u>	<u>47,347</u>	<u>(17,200)</u>
<b>Operating profit</b>		<b>70,291</b>	<b>20,303</b>	<b>93,141</b>	<b>17,544</b>
Foreign currency exchange (loss)/gain - net		(14)	4	(42)	(22)
Interest income		1	2	2	4
Interest expense		(1,263)	(1,056)	(3,284)	(2,489)
Other finance (expense)/income		(89)	53	(9)	51
<b>Finance expense - net</b>		<b>(1,365)</b>	<b>(997)</b>	<b>(3,333)</b>	<b>(2,456)</b>
<b>Profit for the financial period</b>		<b>68,926</b>	<b>19,306</b>	<b>89,808</b>	<b>15,088</b>
Other comprehensive income for the financial period		-	-	-	-
<b>Net profit and total comprehensive income for the financial period</b>		<b>68,926</b>	<b>19,306</b>	<b>89,808</b>	<b>15,088</b>

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**COMBINED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**

(Unaudited figures in US\$ thousands)	Note	<b>3 months ended 30 Sep 2013</b>	3 months ended 30 Sep 2012	<b>9 months ended 30 Sep 2013</b>	9 months ended 30 Sep 2012
Profit attributable to:					
<b>Equity holders of the Company</b>		<b>67,817</b>	18,632	<b>88,860</b>	14,099
<b>Non-controlling interests</b>		<b>1,109</b>	674	<b>948</b>	989
		<b>68,926</b>	19,306	<b>89,808</b>	15,088
<b>Earnings per share attributable to the equity holders of the Company</b>					
(expressed in US\$ per share)					
Basic and diluted earnings per share		<b>68</b>	19	<b>89</b>	14

# "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.

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**COMBINED CONDENSED INTERIM BALANCE SHEET**

(Unaudited figures in US\$ thousands)	Note	30 September 2013 US\$'000	31 December 2012 US\$'000
Charter-hire contracts acquired	4	<u>23,518</u>	42,429
<b>Intangible asset</b>		<b>23,518</b>	42,429
Vessels	5	1,018,590	944,493
Vessels under construction	5	28,774	-
Dry docking	5	<u>19,864</u>	17,892
<b>Total property, plant and equipment</b>		<b>1,067,228</b>	962,385
<b>Total non-current assets</b>		<b>1,090,746</b>	1,004,814
Inventories		14,711	19,432
Trade and other receivables		120,930	73,154
Cash and cash equivalents		<u>11,115</u>	22,221
<b>Total current assets</b>		<b>146,756</b>	114,807
Non-current asset held-for-sale	7	3,780	-
<b>Total assets</b>		<b>1,241,282</b>	1,119,621
Share capital	8	10	10
Capital reserve		67,687	67,687
Retained earnings/(Accumulated losses)		<u>14,324</u>	(72,382)
<b>Non-controlling interest</b>		<b>9,707</b>	9,105
<b>Total shareholder's equity</b>		<b>91,728</b>	4,420
Borrowings	9	57,219	64,751
Deferred income		<u>1,365</u>	1,737
<b>Total non-current liabilities</b>		<b>58,584</b>	66,488
Borrowings	9	138,684	136,039
Current income tax liabilities		-	108
Trade and other payables		<u>952,286</u>	912,566
<b>Total current liabilities</b>		<b>1,090,970</b>	1,048,713
<b>Total liabilities</b>		<b>1,149,554</b>	1,115,201
<b>Total equity and liabilities</b>		<b>1,241,282</b>	1,119,621

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**COMBINED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

(Unaudited figures in US\$ thousands)

Attributable to equity holders of the Company

	Share capital	Capital Reserve	Retained earnings/ (Accumulated Losses)	Total	Non- controlling interests	Total Equity
<b>Balance at 1 January 2013</b>	10	67,687	(72,382)	(4,685)	9,105	4,420
Profit for the financial period	-	-	88,860	88,860	948	89,808
Distributions to partnerships	-	-	(2,154)	(2,154)	(346)	(2,500)
<b>Balance at 30 September 2013</b>	<b>10</b>	<b>67,687</b>	<b>14,324</b>	<b>82,021</b>	<b>9,707</b>	<b>91,728</b>
<b>Balance at 1 January 2012</b>	10	67,687	(45,515)	22,182	8,784	30,966
Profit for the financial period	-	-	14,099	14,099	989	15,088
Balance at 30 September 2012	10	67,687	(31,416)	36,281	9,773	46,054

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**COMBINED CONDENSED INTERIM STATEMENT OF CASH FLOWS**

(Unaudited figures in US\$ thousands)	9 months ended 30 Sep 2013	9 months ended 30 Sep 2012
<b>Cash flows from operating activities</b>		
Profit for the financial period	89,808	15,088
Adjustments for:		
- amortisation charge	5,108	5,321
- amortisation of deferred income	(372)	(372)
- depreciation charge	37,613	36,746
- (write back of impairment charge)/impairment charge - net	(47,347)	17,200
- loss on disposal of property, plant and equipment	880	-
- loss on disposal of subsidiaries	1,025	-
- foreign exchange currency loss on long-term tax liability	-	7
- interest income	(2)	(4)
- interest expense	3,284	2,489
- other finance expense/(income)	9	(51)
Operating cash flow before working capital changes	90,006	76,424
Changes in working capital:		
- inventories	3,984	(2,099)
- trade and other receivables	(36,963)	(20,820)
- trade and other payables	(32,289)	(8,347)
Cash generated from operations	24,738	45,158
Taxes paid	(108)	(101)
<b>Net cash provided by operating activities</b>	<b>24,630</b>	<b>45,057</b>
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment	(135,585)	(141,403)
Disposal of property, plant and equipment	2,249	-
Disposal of subsidiaries, net of cash disposed	(772)	-
Interest received	2	4
<b>Net cash used in investing activities</b>	<b>(134,106)</b>	<b>(141,399)</b>
<b>Cash flows from financing activities</b>		
Funding from immediate holding corporation for purchase of property, plant & equipment	121,960	8,750
Proceeds from borrowings	-	126,500
Funding provided to fellow subsidiary	(12,910)	(7,381)
Repayments of borrowings	(7,090)	(6,674)
Distributions to partnerships	(2,154)	-
Interest paid	(1,081)	(1,346)
Other finance income received	(9)	51
Payment to non-controlling interests	(346)	-
<b>Net cash provided by financing activities</b>	<b>98,370</b>	<b>119,900</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,106)</b>	<b>23,558</b>
Cash and cash equivalents at beginning of the financial period	22,221	14,783
<b>Cash and cash equivalents at end of the financial period</b>	<b>11,115</b>	<b>38,341</b>

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**NOTES TO THE COMBINED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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

**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.

These combined condensed interim financial statements were approved for issue by the Board of Directors of the Company on 29 November 2013.

These combined condensed interim financial statements have been reviewed, but not audited. See Page 6 for the auditor's review report.

**2. Significant accounting policies**

**(a) Basis of preparation**

- (1) The combined condensed interim financial statements for the three-month and nine-month periods ended 30 September 2013 have been prepared pursuant to the Restructuring as described in the combined annual financial statements of the Group for the year ended 31 December 2012.
- (2) These combined condensed interim financial statements for the three-month and nine-month periods ended 30 September 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The combined condensed interim financial statements should be read in conjunction with the combined annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

**Critical accounting estimates and assumptions**

The preparation of the combined condensed interim financial statements 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 these combined condensed interim financial statements, 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 2012.

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**3. Distributions to partnerships**

(Unaudited figures in US\$ thousands)	30 September 2013		31 December 2012	
	Equity holders	Non- controlling interests	Equity holders	Non- controlling interests
Distributions to partnerships				
- KS Havgas Partners	-	-	1,250	450
- PR Bergesen d.y. Shipping DA	2,154	346	3,274	526
- AS Havgas Partners	-	-	897	-
	<b>2,154</b>	<b>346</b>	<b>5,421</b>	<b>976</b>

The partnerships, which are subsidiaries of the Group, have made distributions in accordance with the requirements of the partnership agreements. Distributions above reflect those amounts that were paid to parties outside of the BW LPG Group.

**4. Intangible assets**

(Unaudited figures in US\$ thousands)	30 September 2013	30 September 2012
<i>Charter-hire contracts acquired</i>		
At 1 January	42,429	49,524
Exercise of purchase option (Note 5)	(13,803)	-
Amortisation charge	(5,108)	(5,321)
At 30 September	<b>23,518</b>	<b>44,203</b>

In 2013, the Group exercised an option to purchase a vessel which had previously been chartered-in by the Group, at the end of the charter-in period. The Group had acquired the charter-hire contract and purchase option in the prior year. The purchase option is transferred as part of the acquisition cost of the vessel (Note 5).

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5. **Property, plant and equipment**

(Unaudited figures in US\$ thousands)

	<u>Vessels</u>	<u>Dry docking</u>	<u>Vessels under construction</u>	<u>Total</u>
<i>Cost</i>				
At 1 January 2013	1,154,360	31,273	-	1,185,633
Additions	95,365	11,446	28,774	135,585
Exercise of purchase option (Note 4)	13,803	-	-	13,803
Disposal	(3,750)	(502)	-	(4,252)
Disposal of subsidiary (Note 6)	(52,216)	(2,317)	-	(54,533)
Reclassified to asset held for sale	(4,980)	(1,718)	-	(6,698)
Write-off on completion of dry-docking	-	(6,884)	-	(6,884)
At 30 September 2013	<u>1,202,582</u>	<u>31,298</u>	<u>28,774</u>	<u>1,262,654</u>
<i>Accumulated depreciation and impairment charge</i>				
At 1 January 2013	209,867	13,381	-	223,248
Depreciation charge	29,844	7,769	-	37,613
Impairment charge	153	-	-	153
Write-back of impairment charge	(47,500)	-	-	(47,500)
Disposal	(662)	(461)	-	(1,123)
Disposal of subsidiary (Note 6)	(6,173)	(990)	-	(7,163)
Reclassified to asset held for sale	(1,537)	(1,381)	-	(2,918)
Write-off on completion of dry-docking	-	(6,884)	-	(6,884)
At 30 September 2013	<u>183,992</u>	<u>11,434</u>	<u>-</u>	<u>195,426</u>
<b><i>Net book value</i></b>				
<b>At 30 September 2013</b>	<b><u>1,018,590</u></b>	<b><u>19,864</u></b>	<b><u>28,774</u></b>	<b><u>1,067,228</u></b>
<i>Cost</i>				
At 1 January 2012	966,359	20,700	-	987,059
Additions	133,035	8,368	-	141,403
Write-off on completion of dry-docking	-	(1,174)	-	(1,174)
At 30 September 2012	<u>1,099,394</u>	<u>27,894</u>	<u>-</u>	<u>1,127,288</u>
<i>Accumulated depreciation and impairment charge</i>				
At 1 January 2012	114,742	4,566	-	119,308
Depreciation charge	28,945	7,801	-	36,746
Impairment charge	19,900	-	-	19,900
Write-back of impairment charge	(2,700)	-	-	(2,700)
Write-off on completion of dry-docking	-	(1,174)	-	(1,174)
At 30 September 2012	<u>160,887</u>	<u>11,193</u>	<u>-</u>	<u>172,080</u>
<b><i>Net book value</i></b>				
<b>At 30 September 2012</b>	<b><u>938,507</u></b>	<b><u>16,701</u></b>	<b><u>-</u></b>	<b><u>955,208</u></b>

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

- (a) The Group has mortgaged vessels with an aggregate carrying amount of US\$883.8 million (31 December 2012: US\$712.0 million) as security for debts of the ultimate holding corporation amounting to US\$1,435.8 million (31 December 2012: US\$1,243.0 million).
- (b) For the nine-month period ended 30 September 2013, the Group recognised a net write back of impairment charge of US\$47.3 million (30 September 2012: recognised a net impairment charge of US\$17.2 million), which represents the adjustment on certain vessel values to their recoverable amounts. For the three-month period ended 30 September 2013, the Group recognised a net write back of impairment charge of US\$42.9 million (30 September 2012: recognised a net impairment charge of US\$7.5 million). The recoverable amounts of the vessels were determined based on fair value (based on independent third party valuation reports which made reference to comparable transaction prices of similar LPG vessels) less costs to sell.
- (c) For the nine-month period ended 30 September 2013, interest amounting to US\$0.2 million (30 September 2012: US\$nil) has been capitalised in vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 2.0% (2012: nil) per annum.

**6. Disposal of subsidiaries**

On 30 August 2013, the immediate holding corporation of the Company, BW Gas Limited acquired from the Company 10,000 ordinary shares of BW GMC Investments Limited (previously known as BW Captain Limited) and 10,000 ordinary shares of BW Danuta Limited for a consideration of US\$20,000.

On 30 August 2013, the fellow subsidiary of the Company, BW Gas LNG Holding Limited acquired from the Company 1 ordinary share of BW LNG Investments Pte. Ltd. for a consideration of S\$1.

The effects of the disposals on the cashflows of the Group were as follows:

	<u>The Group</u>
<b>(Unaudited figures in US\$ thousands)</b>	
<u>Share of carrying amounts of assets and liabilities disposed</u>	
Cash and cash equivalents	792
Inventories	737
Trade and other receivables	2,097
Property, plant and equipment (note 5)	47,370
Total assets	50,996
Trade and other payables	49,951
Total liabilities	49,951
Net assets disposed	(1,045)
Loss on disposal	(1,025)
Cash proceeds from disposal	20
Less: Cash and cash equivalents disposed	(792)
Net cash outflow on disposal	(772)

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**7. Non-current asset held-for-sale**

(Unaudited figures in US\$ thousands)	30 September 2013	31 December 2012
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Details of the non-current asset held-for-sale are as follows:

Vessel	3,443	-
Dry docking	337	-
	3,780	-

In 2013, the vessel, BW Hermes, with a net book value of US\$3.8 million, was reclassified from property, plant and equipment to asset held for sale. The disposal of the vessel to the immediate holding corporation was committed on 3 September 2013 for a consideration of US\$3.8 million. The sale of the vessel will be completed upon expiry of current voyage commitments to a charterer between December 2013 and January 2014. There will be no gain or loss recognised as a result of the disposal.

**8. Share Capital**

The Company's share capital comprises 10,000 (2012:10,000) fully paid ordinary shares with a par value of US\$1.00 (2012: US\$1.00) per share, amounting to a total of US\$10,000 (2012: US\$10,000).

On 28 October 2013, the Company split every one ordinary share of US\$1 each into 100 ordinary shares of US\$0.01 each. The earnings per share calculations for the financial periods as presented in these financial statements have been adjusted to reflect the change in numbers of shares.

The company issued new ordinary shares subsequent to 28 October 2013. See further details in note 14.

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9. **Borrowings**

<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	31 December 2012
Non-current	57,219	64,751
Current	<b>138,684</b>	136,039
	<b><u>195,903</u></b>	<u>200,790</u>

Movement in borrowings are analysed as follows:

**(Unaudited figures in US\$ thousands)**

**Nine-month period ended 30 September 2013**

Opening amount as at 1 January 2013	200,790
Effective interest charged	2,203
Repayment of borrowings	(7,090)
Closing amount as at 30 September 2013	<u>195,903</u>

**Nine-month period ended 30 September 2012**

Opening amount as at 1 January 2012	79,933
Proceeds from borrowings	126,500
Effective interest charged	1,143
Repayment of borrowings	(6,674)
Closing amount as at 30 September 2012	<u>200,902</u>

Finance lease liabilities of the Group are secured by the rights to two (2012: two) leased vessels, which would revert to the lessor in the event of default by the Group.

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

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**10. Related party transactions**

In addition to the information disclosed elsewhere in the combined condensed interim financial statements, the following transactions took place between the Company and related parties during the financial period at terms agreed between the parties:

<b>(Unaudited figures in US\$ thousands)</b>	<b>3 months ended 30 Sep 2013</b>	3 months ended 30 Sep 2012	<b>9 months ended 30 Sep 2013</b>	9 months ended 30 Sep 2012
Interest expenses charged by immediate holding corporation	918	604	2,203	1,143
Support service fees charged by ultimate holding corporation	314	245	961	593
Support service fees charged by related companies	(18)	-	271	355
Commercial fees charged by fellow subsidiaries	1,422	1,336	3,727	3,636
Ship management fees charged by fellow subsidiaries	<u>2,366</u>	<u>2,355</u>	<u>7,703</u>	<u>6,532</u>

No fees or other emoluments were paid or payable to the key management of the Company for the three-month and nine-month periods ended 30 September 2013 (30 September 2012: US\$nil).

<b>(Unaudited figures in US\$ thousands)</b>	<b>As of 30 September 2013</b>	As of 31 December 2012
Borrowings payable to immediate holding corporation	(130,421)	(128,217)
Other payables		
- Ultimate holding corporation	(62,382)	-
- Immediate holding corporation	(845,961)	(669,591)
- Fellow subsidiaries	(6,544)	(200,062)
Other receivables		
- Fellow subsidiaries	<u>26,777</u>	<u>13,866</u>

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**11. Commitments**

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the combined condensed interim financial statements are as follows:

<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	31 December 2012
Purchase of vessels	<b>251,200</b>	33,030
Vessels under construction	<b>257,462</b>	-
	<b>508,662</b>	33,030

In May 2013, the Group entered into a framework agreement with Maersk Tankers for the purchase of five VLGCs, five VLGC time charters and two contracts of affreightment (COAs) for a consideration of US\$311.5 million. The total transaction cost was capitalized as the acquisition cost of the five owned vessels. The Group took delivery of the first vessel, a 2007-built VLGC, the BW Birch in September 2013.

The Group has entered into shipbuilding contracts for the construction of four very large LPG carriers for US\$286.2 million. The construction is to be paid in five instalments up to the scheduled delivery dates ranging from 31 October 2014 to 30 April 2015. As at 30 September 2013, the Group has capitalised US\$28.8 million into vessels under construction.

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

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

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

<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	31 December 2012
Not later than one year	<b>41,460</b>	62,722
Later than one year but not later than five years	<b>20,260</b>	46,994
	<b>61,720</b>	109,716

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**11. Commitments (continued)**

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

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

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

<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	31 December 2012
Not later than one year	<b>64,567</b>	42,821
Later than one year and not later than five years	<b>218,339</b>	118,439
Later than five years	<b>208,234</b>	55,036
	<b>491,140</b>	216,296

**12. Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including fuel price risk and currency 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 combined condensed interim financial statements do 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 financial statements as at 31 December 2012. There have been no changes in the risk management department or in any risk management policies since the year end.

**13. Segment information**

Operating segments are determined based on the reports submitted to the Chief Operating Decision Makers (CODM) to make strategic decisions. The CODM comprises the Chief Executive Officer and Chief Financial Officer of the Group. Management considers the LPG business to be organised into two main business segments:

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

The business segments are organised and managed according to the size of the LPG vessels.

Management assesses the performance of the operating segments based on operating profit before depreciation, impairment, amortisation, disposals of property, plant and equipment and disposal of a joint venture ("Operating EBITDA"). This measurement basis excludes the effects of gain on disposal of property, plant and equipment, impairment charges and gain on disposal of a joint venture that are not expected to recur regularly in every financial period. Interest income is not allocated to segments, as financing is determined based on aggregate investment portfolio rather than by segments. Unallocated items include general expenses that are not attributable to any segments.

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13. **Segment information** (continued)

The reconciliation of the reports reviewed by the CODM based on Operating EBITDA to the basis as disclosed in these financial statements is as follows:

	VLGC	LGC	Total
<b>Three-months ended 30 September 2013</b> (Unaudited figures in US\$ thousands)			
Revenue	95,139	17,236	112,375
Operating EBITDA	35,837	6,667	42,504
Finance expense	(372)	(993)	(1,365)
Depreciation charge	(9,275)	(2,780)	(12,055)
Amortisation charge	(1,580)	-	(1,580)
Write-back of impairment charge on vessels - net	35,200	7,700	42,900
Unallocated items			(1,478)
Profit before income tax		<u>68,926</u>	
<b>Nine-months ended 30 September 2013</b> (Unaudited figures in US\$ thousands)			
Revenue	241,399	54,144	295,543
Operating EBITDA	69,156	21,529	90,685
Finance expense	(1,120)	(2,213)	(3,333)
Depreciation charge	(28,062)	(9,551)	(37,613)
Amortisation charge	(5,108)		(5,108)
Write-back of impairment charge on vessels - net	42,500	4,847	47,347
Loss on disposal of property, plant and equipment		(880)	(880)
Unallocated items			(1,290)
Profit before income tax		<u>89,808</u>	
Segment assets as of 30 September 2013	<u>1,004,568</u>	<u>182,085</u>	<u>1,186,653</u>
Segment assets includes:			
Additions to:			
- vessels	109,168		109,168
- vessels under construction	28,774		28,774
- dry docking	7,993	3,453	11,446
	<u>145,935</u>	<u>3,453</u>	<u>149,388</u>
Segment liabilities as of 30 September 2013	<u>852,480</u>	<u>135,471</u>	<u>987,951</u>

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13. Segment information (continued)

	VLGC	LGC	Total
<b>Three-months ended 30 September 2012</b> (Unaudited figures in US\$ thousands)			
Revenue	94,264	18,325	112,589
Operating EBITDA	32,162	10,910	43,072
Gain on disposal of a joint venture			
Finance expense	(389)	(608)	(997)
Gain on disposal of property, plant and equipment:			
Depreciation charge	(9,234)	(4,027)	(13,261)
Amortisation charge	(1,774)	-	(1,774)
(Impairment charge)/Write-back of Impairment charge on vessels - net	(8,300)	800	(7,500)
Unallocated items			(234)
Profit before income tax			<u>19,306</u>
<b>Three-months ended 30 September 2012</b> (Unaudited figures in US\$ thousands)			
Revenue	249,425	38,410	287,835
Operating EBITDA	61,739	16,375	78,114
Gain on disposal of a joint venture			
Finance expense	(1,306)	(1,150)	(2,456)
Gain on disposal of property, plant and equipment:			
Depreciation charge	(27,383)	(9,363)	(36,746)
Amortisation charge	(5,321)	-	(5,321)
(Impairment charge)/Write-back of Impairment charge on vessels - net	(18,000)	800	(17,200)
Unallocated items			(1,303)
Profit before income tax			<u>15,088</u>
Segment assets as of 30 September 2012	<u>883,682</u>	<u>177,029</u>	<u>1,060,711</u>
Segment assets includes:			
Additions to:			
- vessels	8,730	124,305	133,035
- dry docking	5,863	2,504	8,367
	<u>14,593</u>	<u>126,809</u>	<u>141,402</u>
Segment liabilities as of 30 September 2012	<u>698,713</u>	<u>130,469</u>	<u>829,182</u>

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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 financial statements. 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.

	<u>The Group</u>	
<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	30 September 2012
Segment assets	<b>1,186,653</b>	1,060,711
<b>Unallocated items:</b>		
Cash and cash equivalents	<b>11,115</b>	38,341
Other receivables	<b>43,514</b>	22,371
Total assets	<b><u>1,241,282</u></b>	<u>1,121,423</u>

Reportable segments' liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	<u>The Group</u>	
<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	30 September 2012
Segment liabilities	<b>987,951</b>	829,182
<b>Unallocated items:</b>		
Other payables	<b>161,603</b>	246,080
Current tax liabilities	-	108
Total liabilities	<b><u>1,149,554</u></b>	<u>1,075,370</u>

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13. **Segment information** (continued)

Geographical segments' revenue

The geographical segments of external revenues are reported based on the country of domicile of customers. Analysis of revenue by geographical countries is as follows:

	<u>The Group</u>	
<b>(Unaudited figures in US\$ thousands)</b>	<b>30 September 2013</b>	30 September 2012
<b>Revenue</b>		
Switzerland	109,111	91,617
United Kingdom	26,345	31,139
Brazil	41,135	30,720
Japan	25,839	25,591
Bermuda	21,203	20,244
India	20,699	16,105
Norway	376	17,068
Singapore	14,545	14,913
Others *	36,290	40,438
	<b>295,543</b>	<b>287,835</b>

\* Any single country of domicile contributed less than 5% (30 September 2012: 5%) of the Group's total revenue.

As non-current assets comprise mainly vessels, together with the related dry dockings, and are primarily utilised across many geographical markets, management does not consider it meaningful to allocate vessels to specific geographical locations.

There is no significant concentration of revenue derived from a single external customer.

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**14. Events occurring after balance sheet date**

Transactions and events occurring after the balance sheet date which relate to Group Restructuring are disclosed in Note 2 of the combined annual financial statements of the Group for the year ended 31 December 2012.

On 16 October 2013, the Group exercised its right to terminate the bareboat charterparty agreement on 90 days' notice and exercised its option to take ownership of the vessel, BW Trader, and its related loan amount of USD 52.4 million which will be settled on delivery. As part of the transaction, the Group has also committed to sell its 50% shareholding in BW Gas Tailwind Carriers Pte Ltd ("BWGTC") at a nominal value to be completed at the same time when the bareboat charterparty agreement terminates. This transaction is expected to be completed in January 2014.

On 28 October 2013, the Company did a share split whereby each of the outstanding ordinary shares of US\$1 each were split into 100 ordinary shares of US\$0.01 each. Following the share split, the share capital of the Group increased from 10,000 ordinary shares of US\$1 each to 1,000,000 ordinary shares of US\$0.01 each.

On 28 October 2013, the Company transferred the net amount due to related parties of the Company to BW Gas Limited amounting to US\$686.9 million (the "Intercompany Balance"). On the same date, the Company entered into a Capitalisation Agreement (the "Capitalisation Agreement") with BW Gas Limited under which the Company issued 99 million ordinary shares of US\$0.01 each as settlement for US\$1.0 million of amount due to BW Gas Limited. The remainder of the Intercompany Balance of US\$685.9 million would be accounted for as a capital contribution presented within capital reserve.

On 30 October 2013, the shares of the Company were transferred from BW Gas Limited to BW Group Limited. Consequently, the immediate holding corporation of the Company became BW Group Limited.

On 01 November 2013, the Group exercised the option to purchase two additional units of very large LPG carriers for US\$147.8 million in aggregate to be paid in five instalments up to the scheduled delivery dates in the second and third quarter of 2016, respectively.

On 04 November 2013, the Group signed a loan facility with a syndicate of banks consisting of a senior secured facility (the "Facility") in the aggregate amount of US\$700 million, which comprised of a term loan facility of US\$500 million (the "Term Loan") and a revolving credit facility of US\$200 million (the "RCF"). The amounts borrowed under the facility will be applied to refinance the existing loan from BW Gas Limited.

On 21 November 2013, the Company issued 36,276,383 ordinary shares at NOK47 per share, raising US\$280 million (calculated at exchange rate USDNOK 6.09) in connection with its initial public offering ("IPO") on the Oslo Stock Exchange ("Oslo Børs").

The Company estimates the cost of the IPO to be approximately US\$13 million as envisaged prior to the IPO and disclosed in the prospectus. A portion of this cost will be net off against the share premium account where it relates to the issuance of new ordinary shares. The remaining costs will be recognised as an expense in the profit and loss. This cost will be accounted for in the fourth quarter of 2013.

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**14. Events occurring after balance sheet date** (continued)

One of the charterers of the Group's vessels has presented the Group with a claim for losses allegedly caused by technical issues on two of the Group's vessels, which the charterer claims resulted in damages under two of the Group's charter contracts. The aggregate amount claimed by the charterer is approximately US\$1.3 million. The Group is disputing any liability for the claims and does not believe the claims will have any significant effect on the Company's and/or the Group's financial position or profitability.

Pursuant to negotiations among the three participants with respect to VLGCs BW Kyoto and BW Tokyo, one of the pool participants has exited the pool arrangement. As a result, the Company and the other remaining pool participant each have a 50% interest in each of BW Kyoto and BW Tokyo. The exiting pool participant has paid USD 0.7 million each to the Company and the other remaining pool participant in consideration for these parties assuming the working capital contribution payable by the exiting participant from the pool amounting to USD\$1.7 million.

The Group has entered into agreements with certain key management personnel of the Company whereby upon the listing of the Company, these key management personnel will receive incentives in the form of ordinary shares in the Company. The number of ordinary shares that these key management personnel would receive would be based on the net asset value (NAV) of the Group immediately prior to the listing. As of the date of this announcement, the NAV is still in the process of being determined. The Group will account for these expenses from the fourth quarter of 2013.