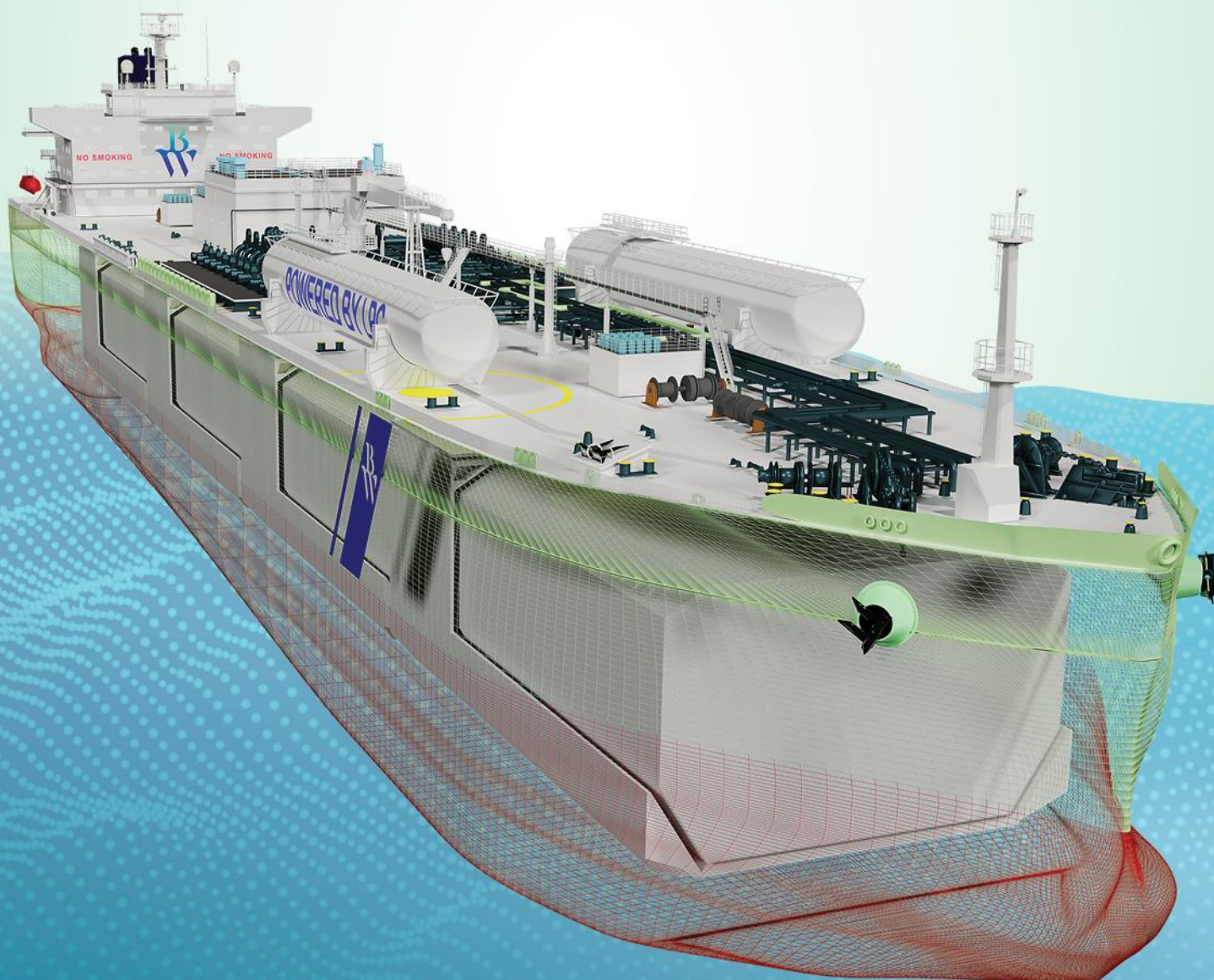


BW LPG Limited

Interim Financial Information
Q2 2020 and H1 2020



BW LPG



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SELECTED KEY FINANCIAL INFORMATION

Income Statement	Q2 2020 US\$ million	Q2 2019 US\$ million	Increase/ (Decrease) %	H1 2020 US\$ million	H1 2019 US\$ million	Increase/ (Decrease) %
Net income from spot voyages	116.3	92.4	26	256.5	133.0	93
Net income from time charter voyages	33.2	18.4	80	54.9	38.1	44
TCE income	149.5	110.8	35	311.4	171.1	82
EBITDA	113.1	74.6	52	239.4	95.3	151
Profit after tax	62.1	26.5	134	142.7	2.9	N.M
(US\$ per share)						
Basic and diluted EPS ¹	0.45	0.19	137	1.03	0.02	N.M
Dividend per share	0.15	0.10	50	0.35	0.1	250
Balance Sheet				30 June 2020 US\$ million	31 December 2019 US\$ million	Increase/ (Decrease) %
Cash & cash equivalents				94.1	112.2	(16)
Total assets				2,473.8	2,549.4	(3)
Total liabilities				1,283.4	1,372.0	(6)
Total shareholders' equity				1,190.4	1,177.3	1
Financial Ratios	Q2 2020 %	Q2 2019 %	Increase/ (Decrease) %	30 June 2020 %	30 June 2019 %	Increase/ (Decrease) %
ROE ² (annualised)	21.2	11.1	91	24.1	0.6	N.M
ROCE ² (annualised)	11.9	7.3	63	13.8	2.9	N.M
EBITDA margin ³	75.7	67.3	12	76.9	55.8	38
Gross leverage ratio ⁴	48.2	58.7	(18)	48.2	58.7	(18)
Net leverage ratio ⁵	46.2	57.8	(20)	46.2	57.8	(20)
Other Information				30 June 2020	31 December 2019	Increase/ (Decrease) %
Shares – end of period (shares)				141,938,998	141,938,998	-
Share price (NOK)				30.0	73.9	(59)
Market cap (NOK million)				4,258.2	10,482.2	(59)
Market cap (USD million)				441.4	1,189.5	(63)

[1] EPS (earnings per share) is computed based on Q2 2020: 139 million shares and Q2 2019: 139 million shares, the weighted average number of shares outstanding less treasury shares during the period

[2] 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.

[3] EBITDA margin is computed as EBITDA over TCE income.

[4] Gross leverage ratio is computed as total debt over total debt plus equity.

[5] Net leverage ratio is computed as total debt less cash over total debt less cash plus equity.

“N.M” denotes not meaningful.

HIGHLIGHTS – Q2 2020

- Achieved Q2 2020 VLGC freight rates of US\$39,100/day (H1 2020: US\$40,700/day) with a high fleet utilisation of 97% (H1 2020: 97%).
- Generated Q2 2020 Net Profit after Tax of US\$62.1 million (H1 2020: US\$142.7 million) or an Earnings per share of US\$0.45 (H1 2020: US\$1.03) or NOK 4.51 (H1 2020: NOK 10.05).
- H1 2020 annualised return on equity of 24% with US\$300.1 million of free cash flow.
- Declared a Q2 2020 cash dividend of US\$0.15 per share amounting to US\$20.7 million. This brings total dividends declared for H1 2020 to US\$0.35 per share, amounting to US\$48.8 million. The shares will be traded ex-dividend from 1 September 2020. The dividend will be payable on or about 11 September 2020 to shareholders on record as at 2 September 2020.

Events previously announced:

July 2020:

- Concluded the sale of Berge Summit and delivered the vessel to its new owner for continued trading in July 2020. The sale generated approximately US\$9.0 million in liquidity and a net book gain of US\$3.8 million.

May 2020:

- Declared Q1 2020 interim cash dividend of US\$0.20 per share amounting to US\$28.1 million. The shares were traded ex-dividend from 2 June 2020. The dividend was paid on 12 June 2020 to shareholders on record as at 3 June 2020.
- Secured financing for the retrofitting of five dual-fuel LPG propulsion engines. On 15 May 2020, the existing US\$400 million facility at LIBOR + 170bps was increased by US\$38 million with all other terms unchanged.

PERFORMANCE REVIEW – Q2 2020 and H1 2020

Time Charter Equivalent (“TCE”) income increased to US\$149.5 million in Q2 2020 (H1 2020: US\$311.4 million), mainly attributable to higher LPG spot rates and higher fleet utilisation. This includes US\$17.2 million related to the effects of IFRS 15 where spot voyages that straddle the quarter-end are now accounted for on a load to discharge basis.

An impairment charge of US\$4.2 million (H1 2020: US\$4.2 million) was recognised on two right-of-use assets (vessels), which arose from the write-down of their carrying amounts to recoverable amounts.

EBITDA increased to US\$113.1 million for Q2 2020 (Q2 2019: US\$74.6 million) and US\$239.4 million for H1 2020 (H1 2019: US\$95.3 million), primarily due to higher TCE income.

Profit after tax was US\$62.1 million for Q2 2020 (Q2 2019: profit after tax of US\$26.5 million) and US\$142.7 million for H1 2020 (H1 2019: profit after tax of US\$2.9 million).

Net leverage ratio decreased to 46.2% in Q2 2020 (Q2 2019: 57.8%). This is mainly due to solid cash flows from operations, net of US\$145.0 million in total dividends paid in 2019 and Q1 2020.

BALANCE SHEET

As at 30 June 2020, BW LPG has a fleet of 46 VLGCs, including two which are owned and operated by a joint venture. Total assets amounted to US\$2,473.8 million (31 December 2019: US\$2,549.4 million), of which US\$1,847.5 million (31 December 2019: US\$1,903.6 million) represented the carrying value of the vessels (including dry docking) and US\$165.2 million (31 December 2019: US\$165.0 million) represented the carrying value of the right-of-use assets (vessels).

Cash and cash equivalents amounted to US\$94.1 million as at 30 June 2020 (31 December 2019: US\$112.2 million). Cash flows from operating activities generated a net cash surplus of US\$254.9 million in H1 2020 (H1 2019: US\$72.6 million). The cash flows from operating activities were largely used to repay bank borrowings, and for interest and dividend payments.

Market – Q2 2020

Freight rates remained strong in the first half of Q2, supported by strong exports from both the U.S. and the Middle East, a surge in import demand in countries such as India and Brazil, and a high geographical LPG price spread between the U.S. and the Far East.

However, rates declined sharply from over \$50,000 per day to near OPEX levels in June. This was largely driven by reduced exports from the Middle East as a result of OPEC+ production cuts, and lower import demand due to lock down measures in different countries. This eventually led to a deteriorating LPG price arbitrage. However, as of early August, VLGC freight rates in both East and West of Suez have recovered to the levels seen at the beginning of Q2.

LPG Supply

In the near term, U.S. LPG exports are supported by high LPG production (despite falling U.S. shale oil production), decreased domestic LPG consumption in the summer season and high LPG inventories. In the medium to long term, a higher oil price environment could lead to a faster recovery in the U.S. LPG export growth.

LPG exports from the Middle East declined by 12% year over year in Q2 as OPEC+ extended its first phase of production cuts of 9.7 million barrels per day for May, June and July. OPEC+ has reconfirmed production cuts of 7.7 million barrels per day for the remainder of 2020, and 5.8 million barrels per day from 2021 to April 2022. Thus, we expect LPG exports from the Middle East to gradually increase as oil production recovers.

LPG Demand

LPG imports in the near term are supported by recovering petrochemical demand in Asia and Europe from steam cracking due to strengthening Naphtha prices, encouraging switching to more competitively priced LPG.

In the medium to long term, LPG imports are still supported by a wave of new PDH development in China and strong end user demand growth driven by the trend towards decarbonisation and the use of cleaner energy.

Fleet Capacity

17 new vessels have been delivered as of July 2020. The newbuild orderbook until end of 2022 stands at 34 vessels, which is 11% of the total VLGC fleet of 299 vessels. However, over 10% of the total fleet will be more than 27 years old by the end of 2022 and some of these vessels will likely be recycled.

From the second half of 2020 and through 2021, over 40% of the global VLGC fleet will be scheduled for special survey. This will reduce fleet supply and should provide support to VLGC freight rates.

VLGC Freight Market Outlook

Although freight rates collapsed at the end of May, the market has shown strong recovery towards the end of July and rates have increased to above \$50,000/day in early August.

This is supported by a variety of factors: recovering LPG exports, firming import demand from both Europe and Asia, as well as significant reductions in fleet supply due to slow steaming of vessels, longer voyage routes from the U.S. to Asia by the Cape of Good Hope and a higher than normal number of vessels dry docked for their special survey.

In 2021, a weak outlook for U.S. LPG supply coupled with a relatively high number of newbuild deliveries are expected to put downward pressure on vessel utilisation. The magnitude of the impact is sensitive to the development of oil prices, and freight rates could be supported by a heavy dry dock schedule and the expected recovery in LPG exports from the Middle East. Long 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 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 on 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 and cause a significant impact on the performance of BW LPG in the rest of 2020.

BW LPG Limited
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Statements to the Interim Financial Information

We confirm to the best of our knowledge that the Interim Financial Information for the six-month period ended 30 June 2020 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of BW LPG Limited’s consolidated assets, liabilities, financial position and income statement as a whole. We also confirm to the best of our knowledge, that the Interim Financial Information includes a fair review of important events that have taken place during the six-month period ended 30 June 2020 and their impact on the Interim Financial Information, and accounts properly for the principal risks and uncertainties for the remaining half year of 2020, as well as major related party transactions.

27 August 2020

Andreas Sohmen-Pao
Chairman

Anne Grethe Dalane
Director

Martha Kold Bakkevig
Director

Andrew E. Wolff
Director

Sonali Chandmal
Director



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Independent Auditors' Report on Review of 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 June 2020, the consolidated statements of comprehensive income and cash flows for the three-month and six-month periods then ended, the consolidated statement of changes in equity for the six-month period then ended and notes to the interim financial information ("Interim Financial Information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this 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 June 2020 interim financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".


KPMG LLP

Public Accountants and
Chartered Accountants

Singapore
27 August 2020

BW LPG Limited
Interim Financial Information
Q2 2020 and H1 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Revenue from spot voyages	3	186,719	157,809	415,397	256,150
Voyage expenses		(70,476)	(65,323)	(158,900)	(123,170)
Net income from spot voyages		116,243	92,486	256,497	132,980
Revenue from time charter voyages	3	33,217	18,359	54,920	38,071
TCE income[^]		149,460	110,845	311,417	171,051
Net (loss)/gain from commodity contracts		(997)	500	(469)	500
Vessel operating expenses		(25,692)	(26,797)	(55,328)	(55,059)
General and administrative expenses		(4,549)	(6,095)	(10,721)	(13,029)
Charter hire expenses		(4,384)	(3,920)	(6,291)	(8,270)
Finance lease income		503	-	1,060	-
Other operating (expenses)/income - net		(1,247)	106	(247)	154
Operating profit before depreciation, amortisation and impairment (EBITDA)		113,094	74,639	239,421	95,347
Depreciation charge		(38,112)	(32,036)	(76,251)	(63,865)
Amortisation charge		(52)	-	(65)	-
		74,930	42,603	163,105	31,482
Gain on disposal of assets held-for-sale		-	-	5,273	1,783
Impairment charge on right-of-use assets (vessels)		(4,200)	-	(4,200)	-
Operating profit (EBIT)		70,730	42,603	164,178	33,265
Foreign currency exchange gain/(loss) - net		1,170	(279)	(979)	(571)
Interest income		964	1,321	2,294	2,753
Interest expense		(11,097)	(16,426)	(23,298)	(31,150)
Derivative (loss)/gain		-	(127)	18	(182)
Other finance expense		(724)	(370)	(1,457)	(789)
Finance expense - net		(9,687)	(15,881)	(23,422)	(29,939)
Share of profit of a joint venture		1,279	-	2,492	-
Profit before tax for the financial period		62,322	26,722	143,248	3,326
Income tax expense		(252)	(246)	(573)	(394)
Profit after tax for the financial period (NPAT)		62,070	26,476	142,675	2,932

[^] "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 interim financial information.

BW LPG Limited
Interim Financial Information
Q2 2020 and H1 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Other comprehensive loss:				
Items that may be subsequently reclassified to profit or loss:				
Cash flow hedges				
- fair value loss	(6,175)	(12,853)	(51,272)	(21,350)
- reclassification to profit or loss	7,475	(509)	9,609	(1,370)
Currency translation reserve	(17)	-	(228)	-
Other comprehensive income/(loss), net of tax	1,283	(13,362)	(41,891)	(22,720)
Total comprehensive income for the financial period	63,353	13,114	100,784	(19,788)
Profit attributable to:				
Equity holders of the Company	62,070	26,386	142,675	2,772
Non-controlling interests	-	90	-	160
	62,070	26,476	142,675	2,932
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	63,353	13,024	100,784	(19,948)
Non-controlling interests	-	90	-	160
	63,353	13,114	100,784	(19,788)
Earnings per share attributable to the equity holders of the Company: (expressed in US\$ per share)				
Basic and diluted earnings per share	0.45	0.19	1.03	0.02

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

BW LPG Limited
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CONSOLIDATED BALANCE SHEET

	Note	30 June 2020 US\$'000	31 December 2019 US\$'000
Intangible assets		992	1,004
Derivative financial instruments	4	-	723
Loan receivables from a joint venture	5	43,550	52,550
Finance lease receivables	6	23,856	35,326
Investment in a joint venture		5,124	2,861
Total other non-current assets		72,530	91,460
Vessels and dry docking	7	1,847,502	1,903,622
Right-of-use assets (vessels)	7	165,232	165,029
Other property, plant and equipment	7	199	261
Property, plant and equipment		2,012,933	2,068,912
Total non-current assets		2,086,455	2,161,376
Inventories		65,119	40,682
Trade and other receivables		163,866	166,372
Derivative financial instruments	4	27,970	14,080
Loan receivables from a joint venture	5	8,415	5,645
Finance lease receivables	6	22,715	22,266
Assets held-for-sale		5,196	26,725
Cash and cash equivalents	8	94,061	112,210
Total current assets		387,342	387,980
Total assets		2,473,797	2,549,356
Share capital		1,419	1,419
Share premium		289,812	289,812
Treasury shares	9	(16,895)	(14,432)
Contributed surplus		685,913	685,913
Other reserves		(87,498)	(45,688)
Retained earnings		317,642	260,289
Total shareholders' equity		1,190,393	1,177,313
Borrowings	10	771,760	923,177
Lease liabilities	10	163,389	167,654
Derivative financial instruments	4	39,716	10,516
Other provisions		929	697
Total non-current liabilities		975,794	1,102,044
Borrowings	10	119,099	140,863
Lease liabilities	10	51,396	50,241
Derivative financial instruments	4	26,063	18,131
Current income tax liabilities		2,062	1,560
Trade and other payables		108,990	59,204
Total current liabilities		307,610	269,999
Total liabilities		1,283,404	1,372,043
Total equity and liabilities		2,473,797	2,549,356

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

BW LPG Limited
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	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 equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	USTot\$'000
Balance at 1 January 2020	1,419	289,812	(14,432)	685,913	(36,259)	(9,602)	230	(57)	260,289	1,177,313
Profit for the financial period	-	-	-	-	-	-	-	-	142,675	142,675
Other comprehensive loss for the financial period	-	-	-	-	-	(41,663)	-	(228)	-	(41,891)
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	(41,663)	-	(228)	142,675	100,784
Share-based payment reserve - Value of employee services	-	-	-	-	-	-	81	-	-	81
Purchases of treasury shares	-	-	(2,463)	-	-	-	-	-	-	(2,463)
Dividends paid	-	-	-	-	-	-	-	-	(85,322)	(85,322)
Total transactions with owners, recognised directly in equity	-	-	(2,463)	-	-	-	81	-	(85,322)	(87,704)
Balance at 30 June 2020	1,419	289,812	(16,895)	685,913	(36,259)	(51,265)	311	(285)	317,642	1,190,393

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Contributed surplus	Capital reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total			
	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	-	-	-	-	-	-	-	-	2,772	2,772	160	2,932	
Other comprehensive loss for the financial period	-	-	-	-	-	(22,720)	-	-	-	(22,720)	-	(22,720)	
Total comprehensive (loss)/income for the financial period	-	-	-	-	-	(22,720)	-	-	2,772	(19,948)	160	(19,788)	
Share-based payment reserve - Value of employee services	-	-	-	-	-	-	60	-	-	60	-	60	
Purchases of treasury shares	-	-	(1,732)	-	-	-	-	-	-	(1,732)	-	(1,732)	
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(102)	(102)	
Total transactions with owners, recognised directly in equity	-	-	(1,732)	-	-	-	60	-	-	(1,672)	(102)	(1,774)	
Balance at 30 June 2019	1,419	289,812	(14,432)	685,913	(36,259)	(13,806)	76	(27)	48,827	961,523	540	962,063	

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Contributed surplus	Capital reserve	Hedging reserve	Share-based payment reserve	Currency translation reserve	Retained earnings	Total			
	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 July 2019	1,419	289,812	(14,432)	685,913	(36,259)	(13,806)	76	(27)	48,827	961,523	540	962,063	
Profit for the financial period	-	-	-	-	-	-	-	-	271,068	271,068	(104)	270,964	
Other comprehensive income/(loss) for the financial period	-	-	-	-	-	4,204	-	(30)	-	4,174	-	4,174	
Total comprehensive income/(loss) for the financial period	-	-	-	-	-	4,204	-	(30)	271,068	275,242	(104)	275,138	
Share-based payment reserve - Value of employee services	-	-	-	-	-	-	154	-	-	154	-	154	
Dividends paid	-	-	-	-	-	-	-	-	(59,606)	(59,606)	-	(59,606)	
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(436)	(436)	
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	154	-	(59,606)	(59,452)	(436)	(59,888)	
Balance at 31 December 2019	1,419	289,812	(14,432)	685,913	(36,259)	(9,602)	230	(57)	260,289	1,177,313	-	1,177,313	

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Cash flows from operating activities					
Profit before tax for the financial period		62,322	26,722	143,248	3,326
Adjustments for:					
- amortisation charge		52	-	65	-
- depreciation charge		38,112	32,036	76,251	63,865
- impairment charge on right-of-use assets (vessels)		4,200	-	4,200	-
- gain on disposal of assets held-for-sale		-	-	(5,273)	(1,783)
- interest income		(963)	(1,321)	(2,294)	(2,753)
- interest expense		11,097	16,426	23,298	31,150
- other finance expense		757	324	869	669
- share-based payments		58	35	81	60
- share of profit of a joint venture		(1,279)	-	(2,492)	-
- finance lease income		(503)	-	(1,060)	-
		113,853	74,222	236,893	94,534
Changes in:					
- inventories		22,837	202	(24,437)	1,803
- trade and other receivables		(15,907)	(52,335)	2,507	(43,084)
- trade and other payables		11,439	18,017	49,950	22,297
- derivative financial instruments		(9,444)	(1,706)	(17,698)	(1,637)
- margin account held with broker	8	(9,487)	(1,090)	7,765	(1,090)
Cash generated from operations		113,291	37,310	254,980	72,823
Tax paid		-	(159)	(73)	(230)
Net cash provided by operating activities		113,291	37,151	254,907	72,593
Cash flows from investing activities					
Purchases of property, plant and equipment		(559)	(6,916)	(7,375)	(8,268)
Purchase of intangible assets		-	-	(53)	-
Proceeds from sale of assets held-for-sale		-	-	31,998	6,606
Repayment of loan receivables from a joint venture		3,100	1,100	6,200	1,950
Repayment of finance lease		5,539	-	11,022	-
Interest received		1,486	1,337	3,383	2,773
Net cash provided by/(used in) investing activities		9,566	(4,479)	45,175	3,061

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

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Cash flows from financing activities					
Proceeds from bank borrowings		-	333,500	150,000	358,500
Payment of financing fees		-	(4,488)	-	(4,488)
Repayments of bank borrowings		(176,154)	(340,212)	(302,421)	(397,718)
Payment of lease liabilities		(12,974)	(7,493)	(25,403)	(14,910)
Interest paid		(13,149)	(15,541)	(24,097)	(28,459)
Other finance expense paid		(707)	(319)	(799)	(665)
Purchases of treasury shares		(651)	-	(2,463)	(1,732)
Drawdown of trust receipts		47,332	15,767	60,864	15,767
Repayment of trust receipts		(33,989)	-	(80,825)	-
Dividend payment		(28,120)	-	(85,322)	-
Distributions to non-controlling interests		-	(102)	-	(102)
Net cash used in financing activities		(218,412)	(18,888)	(310,466)	(73,807)
Net (decrease)/increase in cash and cash equivalents					
		(95,555)	13,784	(10,384)	1,847
Cash and cash equivalents at beginning of the financial period		178,696	38,138	93,525	50,075
Cash and cash equivalents at end of the financial period	8	83,141	51,922	83,141	51,922

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

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 Interim Financial Information was authorised for issue by the Board of Directors of the Company on 27 August 2020.

2. Significant accounting policies

Basis of preparation

The Interim Financial Information for the three-month and six-month ended 30 June 2020 has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. The Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All interim balances and transactions during the three-month period ("Q2 2020") and six-month period ("H1 2020") ended 30 June 2020 and the three-month period ("Q2 2019") and six-month period ("H1 2019") ended 30 June 2019 were reviewed. The balances as at and transactions for the year ended 31 December 2019 ("FY 2019") were audited.

In the preparation of this set of 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 2019.

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 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 Interim Financial Information, the judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

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3. Revenue

Charter revenue is disaggregated as follows:

	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H2 2019 US\$'000
Revenue				
- voyage charter	186,719	157,809	415,397	256,150
- time charter	33,217	18,359	54,920	38,071
	219,936	176,168	470,317	294,221

The Group adopted IFRS 15 on 1 January 2018, where the Group's method of determining proportional performance was changed from discharge-to-discharge to load-to-discharge basis. The change in method gave rise to an increase in TCE income of US\$17.2 million for Q2 2020 (Q2 2019: decrease of US\$8.9 million) and an increase of US\$18.7 million in H1 2020 (H1 2019: decrease of US\$10.3 million).

4. Derivative financial instruments

	30 June 2020		31 December 2019	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Interest rate swaps	-	(40,769)	723	(10,628)
Forward freight agreements and related bunker swaps	6,210	(16,107)	3,742	(1,674)
Commodity contracts and derivatives	21,737	(8,896)	10,298	(16,345)
Forward foreign exchange contracts	23	(7)	40	-
	27,970	(65,779)	14,803	(28,647)
Non-current	-	(39,716)	723	(10,516)
Current	27,970	(26,063)	14,080	(18,131)
	27,970	(65,779)	14,803	(28,647)

As at 30 June 2020, the Group has interest rate swaps with total notional principal amounting to US\$622.0 million (2019: US\$656.2 million). The Group's interest rate swaps mature between 2022 to 2028.

Interest rate swaps were transacted to hedge the interest rate risk on bank borrowings. After taking into account the effects of these contracts, for part of the bank borrowings, the Group would effectively pay fixed interest rates ranging from 1.3% per annum to 2.9% per annum and would receive a variable rate equal to either US\$ three-month LIBOR or US\$ six-month LIBOR. Hedge accounting was adopted for these contracts.

Forward freight agreements and related bunker swaps were transacted to hedge freight rates and bunker price risks. Hedge accounting was adopted for these contracts.

Commodity contract derivatives comprise physical buy and sell commodity contracts measured at fair value through profit or loss, and commodity derivative contracts. Hedge accounting for these contracts was not adopted.

Forward foreign exchange contracts were transacted to hedge foreign exchange risks. Hedge accounting for these contracts was not adopted.

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5. **Loan receivables from a joint venture**

As at 30 June 2020, the loan receivables from the joint venture amounted to US\$52.0 million (31 December 2019: US\$58.2 million). The loan receivables are secured by two VLGCs, bearing interest at LIBOR plus 4.5% per annum and are repayable by 2027 in consecutive quarterly instalments with a bullet payment upon maturity.

6. **Finance lease receivables**

In Q3 2019, back-to-back time charter contracts were entered into 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\$46.6 million as at 30 June 2020 (31 December 2019: US\$57.6 million).

7. **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 June 2020					
Cost	2,341,787	74,626	546	213,408	2,630,367
Accumulated depreciation and impairment charge	(518,062)	(50,849)	(347)	(48,176)	(617,434)
Net book value	1,823,725	23,777	199	165,232	2,012,933

	Vessels US\$'000	Dry docking US\$'000	Furniture and fixtures US\$'000	Right-of-use assets (Vessels) US\$'000	Total US\$'000
At 31 December 2019					
Cost	2,363,978	81,469	546	191,115	2,637,108
Accumulated depreciation and impairment charge	(487,735)	(54,090)	(285)	(26,086)	(568,196)
Net book value	1,876,243	27,379	261	165,029	2,068,912

- (a) The vessels as at 30 June 2020 are secured on bank borrowings. Vessels with an aggregate carrying amount of US\$1,897.0 million as at 31 December 2019 are secured on bank borrowings (note 10).
- (b) As at 30 June 2020, the Group has capital commitments relating to vessel upgrade of US\$51.2 million.
- (c) No impairment charge or write-back of impairment charge was recognised in Q2 2020. In FY 2019, the Group wrote-back an impairment charge of US\$38.0 million. The assessment of the recoverable amounts of the vessels are based on the higher of fair value less cost to sell and value-in-use calculation, with each vessel being regarded as one cash generating unit. The recoverable amount of each vessel is estimated predominantly based on independent third party valuation reports, which made reference to comparable transaction prices of similar vessels. These are regarded as Level 2 fair values under the fair value hierarchy of IFRS 13 Fair value measurement that is also applicable for financial assets/liabilities. The Group has assessed that the brokers have the required competency and capability to perform the valuations. The Group has also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

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

- (d) On 1 January 2020, the Group revised the useful life of its vessels from 30 years to 25 years given the recent developments in market conditions arising from new regulatory requirements. The revision has been applied on a prospective basis from 1 January 2020. The effect of the change is an increase in depreciation charge for Q2 2020 by approximately US\$5.7 million (H1 2020: US\$11.4 million).
- (e) In Q2 2020, the Group recognised an impairment charge of US\$4.2 million to write down the carrying amount of two right-of-use assets (vessels) to their recoverable amounts, which reflects the lower expected future earnings. The assessment of the recoverable amounts of these assets was based on value-in-use calculation with an estimated discount rate of 7%, with each asset being regarded as one cash generating unit.

8. **Cash and cash equivalents**

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

	30 June 2020 US\$'000	31 December 2019 US\$'000
Cash and cash equivalents per consolidated balance sheet	94,061	112,210
Less: Margin account held with broker	(10,920)	(18,685)
Cash and cash equivalents per consolidated statement of cash flows	<u>83,141</u>	<u>93,525</u>

9. **Treasury shares**

Pursuant to the Company's Long-term Management Share Option Plan ("LTIP 2017") announced on 21 April 2017, the fourth tranche of 521,424 shares were purchased during the period from 4 March 2020 to 2 June 2020 at an average price of US\$4.72 (NOK44.10) per share for an aggregate consideration of US\$2.5 million (NOK23.0 million). In 2019, pursuant to the same LTIP 2017 plan, 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\$3.05 (NOK26.60) per share for an aggregate consideration of US\$1.7 million (NOK15.1 million).

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10. Borrowings and lease liabilities

	30 June 2020 US\$'000	31 December 2019 US\$'000
Borrowings		
Bank borrowings	874,904	1,026,321
Trust receipts	13,343	33,304
Interest payable	2,612	4,415
	890,859	1,064,040
Borrowings		
Non-current	771,760	923,177
Current	119,099	140,863
	890,859	1,064,040
Lease liabilities		
Non-current	163,389	167,654
Current	51,396	50,241
	214,785	217,895

Movements in borrowings and lease liabilities are analysed as follows:

	Borrowings US\$'000	Lease liabilities US\$'000	Total US\$'000
At 1 January 2020	1,064,040	217,895	1,281,935
Proceeds from bank borrowings	150,000	-	150,000
Drawdown of trust receipts	60,864	-	60,864
Interest expense	18,832	4,466	23,298
Lease liabilities	-	22,293	22,293
Less: Interest paid	(19,631)	(4,466)	(24,097)
Less: Principal repayment	(302,421)	(25,403)	(327,824)
Less: Repayment of trust receipts	(80,825)	-	(80,825)
At 30 June 2020	890,859	214,785	1,105,644

	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	15,767	-	15,767
Payment of financing fees	(4,488)	-	(4,488)
Interest expense	31,150	-	31,150
Less: Interest paid	(28,459)	-	(28,459)
Less: Principal repayments	(397,718)	(14,910)	(412,628)
At 30 June 2019	1,209,448	159,385	1,368,833
Drawdown of trust receipts	98,551	-	98,551
Payment of financing fees	(88)	-	(88)
Interest expense	19,856	6,603	26,459
Lease liabilities	-	78,050	78,050
Less: Interest paid	(20,105)	(6,603)	(26,708)
Less: Principal repayments	(243,622)	(19,540)	(263,162)
At 31 December 2019	1,064,040	217,895	1,281,935

10. Borrowings and lease liabilities (continued)

As at 30 June 2020, bank borrowings amounting to US\$877.5 million (31 December 2019: US\$1,030.7 million) are secured by mortgages on all vessels of the Group (note 7). These bank borrowings are interest bearing at three-month or six-month US Dollar LIBOR plus a margin. The carrying amounts of non-current and current borrowings approximate their fair values because interest rates are repriced on a regular basis.

11. 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

	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Corporate service fees charged by related parties*	1,514	1,497	3,164	2,912
Ship management fees charged by related parties*	412	709	1,129	1,418
Corporate service fees charged to related parties*	101	60	266	120

	30 June 2020 US\$'000	31 December 2019 US\$'000
Other receivables - related parties*	5,614	4,081
Other payables - related parties*	(579)	(536)

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

(b) Key management's remuneration

	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Salaries and other short-term employee benefits	421	545	973	1,117
Post-employment benefits - contributions to defined contribution plans and share-based payment	60	41	85	68
Directors' fees	99	84	208	208
	580	670	1,266	1,393

(c) Others

	Q2 2020 US\$'000	Q2 2019 US\$'000	H1 2020 US\$'000	H1 2019 US\$'000
Interest income from a joint venture	870	1,205	1,878	2,448

12. Financial risk management

The 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 2019. There have been no major changes in any risk management policies or processes since the previous year end. However, there has been a change in the Chief Executive Officer ("CEO") of the Company. It was announced on 9 December 2019 that a non-executive director acted as the interim CEO of the Company. Thereafter on 17 March 2020, it was announced that the new CEO will continue beyond his current interim appointment.

(a) Financial instruments by category

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

	30 June 2020 US\$'000	31 December 2019 US\$'000
Net derivative liabilities measured at fair value	(37,809)	(13,844)
Financial assets at amortised cost	225,486	263,561
Financial liabilities at amortised cost	998,445	1,115,755

(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.

13. Segment information

The Group has two operating segments:

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

The Product Services segment represent less than ten percent of the Group's total assets, revenue and profit or loss. The Group has determined that this segment is not material to the Group for the period ended 30 June 2020, and has reported information as one combined segment.

Geographical information

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.

14. Dividends paid

An interim dividend of US\$28.1 million (US\$0.20 per share) was paid on 12 June 2020 in respect of Q1 2020. In the corresponding period last year, no interim dividend was paid in respect of Q1 2019.

15. Subsequent events

The sale of Berge Summit was concluded and the vessel was delivered to its new owner for continued trading in July 2020. The sale generated approximately US\$9.0 million in liquidity and net book gain of US\$3.8 million.

The Board has declared a Q2 2020 cash dividend of US\$0.15 per share, amounting to US\$20.7 million. This brings total dividends declared for H1 2020 to US\$0.35 per share, amounting to US\$48.8 million. The shares will be traded ex-dividend from 01 September 2020. The dividend will be payable on or about 11 September 2020 to shareholders on record as at 02 September 2020.