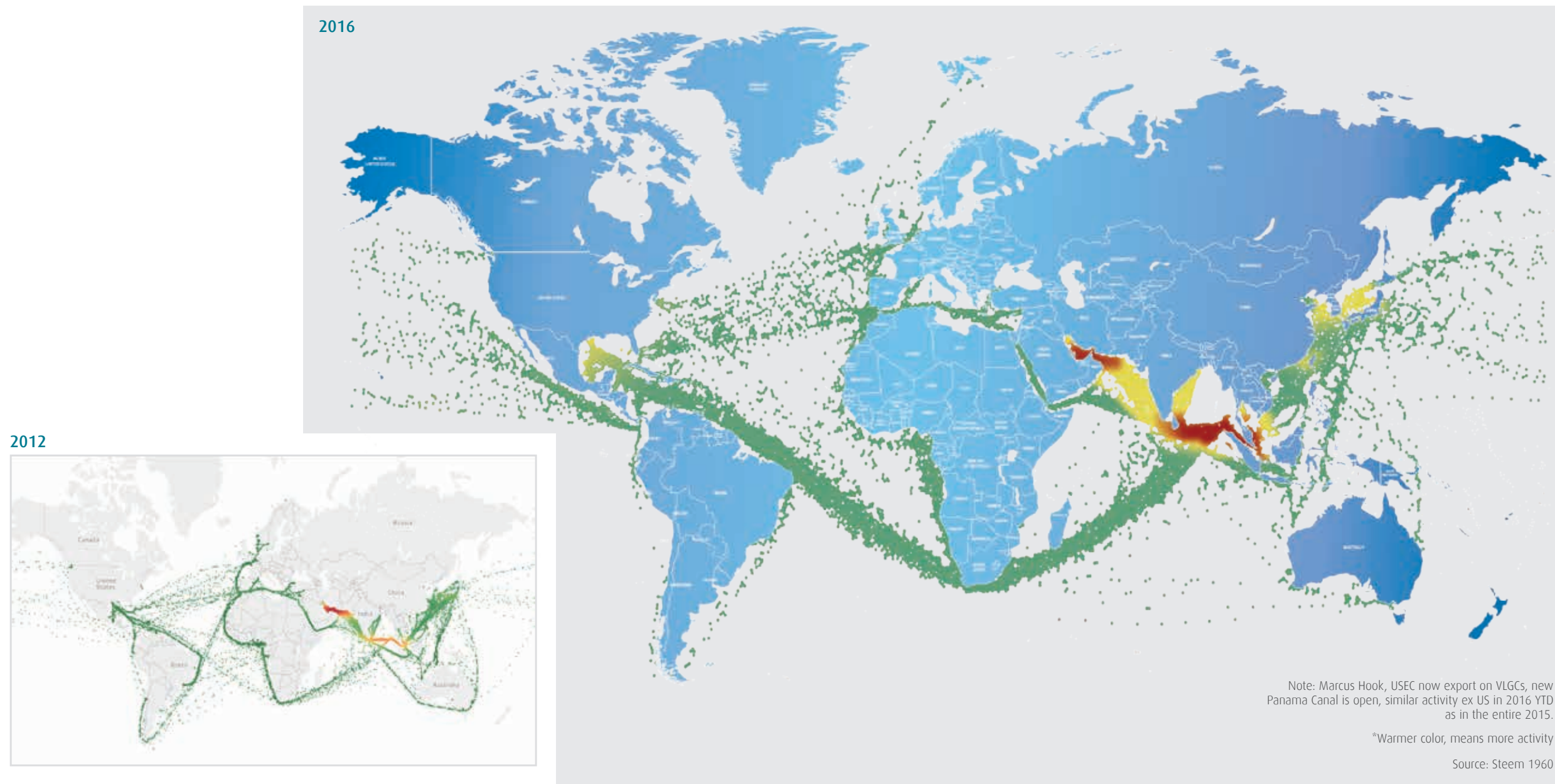


2016 MARKET AND BUSINESS REPORT

While 2014 and 2015 were strong years for VLGC charter rates, 2016 has been weak. The strong market in 2014 and 2015 came on the back of a sharp increase in the long-haul trade between the U.S. and the Far East. The shale boom left the U.S. with ample supply of LPG, causing prices to plummet domestically and making U.S. LPG the most competitive for placement in international markets.

VLGC trading pattern density* map



2016 Global Seaborne LPG Trade

91 million tonnes

LPG exports carried by sea

31% increase

Tonne Mile Average Annual Growth

14% increase from 2013 to 2016

North America

- U.S. will continue to have a surplus of LPG in the future.
- While neo-Panama Canal transits have risen to six per day the opening of the canal, there have been reports of congestion.

Latin America

- Import growth led by retail demand in Brazil, Chile & Peru.
- Completion of Panama Canal will facilitate VLGC trade to West Coast of Latin America.

Europe & Former Soviet Union

- While Russia LPG production and exports experienced a cutback in 2016, there are plans for LPG expansion further out.

Asia

- NE Asia import growth led by propane dehydrogenation (PDH) demand in China & Korea.
- China imported 15.6m tonnes of LPG, from the U.S. and the Gulf, a 30% increase from 2015.
- China and India have the scope to increase retail consumption by 1.1m tonnes (5%) and 6.8m tonnes (39%) respectively

Middle East

- Growing exports in the Middle East due to additional gas production & easing of Iran sanctions.
- China accounted for 80% of the Iranian LPG exports in 2015 and this continued in 2016.

Africa

- Both an exporter and importer of LPG, West Africa saw LPG exports dip to a monthly average of 180,000 tonnes in 3Q 2016.
- Africa has the potential to increase retail consumption by 9.5m tonnes (440%) from 2.2m tonnes to 11.7m tonnes, adjusting to the world average consumption.



The expansion of the Panama Canal was a game changer in global shipping in 2016, allowing greater product availability from the U.S. to growing Asia markets.

VLGCs the 2nd largest user of the new Panama Canal

32.2 %

of all transits at the new Panama Canal are transits by VLGCs

14.1 %

BW LPG vessel transits of total VLGC transits at the new Panama Canal

Key highlights of 2016

Key highlights of 2016 included the opening of the new Panama Canal in June 2016, which has led to easier accessibility of LPG to Asia and higher cargo hauling capacities. However, the marine transportation industry has faced heavy headwinds. Newbuilding deliveries in 2016 caused oversupply, and consequently, decreased freight rates. Already-volatile crude prices fell further and economic turbulence in the industry intensified. In Asia though, the scenario was different. Exports to China, the world's largest LPG consumer, rose consistently. As the continent dealt with a supply deficit and looked for external sources to meet internal demand, international players saw several opportunities to mitigate negative impacts and drive a transformation across the industry.

Market and Freight Rates

VLGC rates averaged USD 13,600 per day in the fourth quarter of 2016, or USD 26.3 per tonne on the benchmark Baltic route. Freight rates improved slightly due to an expansion of geographic LPG price spreads. This recovery in Asian LPG prices was led by winter heating season, as well as rising crude prices and delays in receiving U.S. sourced cargoes. Seaborne LPG trade grew

by 3% in the final quarter of 2016, compared to Q4 2015. This was led by import growth of 20% and 5% in India and China, respectively, and slightly offset by the decline in Japanese imports. U.S. seaborne LPG export volumes rebounded strongly to approximately 7 million tonnes in Q4 2016. Middle Eastern LPG export volumes also registered a healthy growth of 5% on the back of increased Saudi Arabian production.

Customers and Contract Coverage

Global LPG trade is becoming increasingly complex with retail demand for LPG growing in the emerging demand centres of India, China and Latin America. BW LPG has made significant efforts in 2016 to develop sources of demand for LPG and is looking at petrochemical industries, retail and gas-topower markets while advocating the use of LPG by enabling trade. We work with leading national oil companies, international oil majors and trading companies. A highlight of 2016 was when VLGC BW Broker was nominated to load the first commissioning cargo from Phillips 66's (P66) new Freeport LPG Export Terminal, off the coast of Houston. This was a result of collaborative discussions between BW LPG, P66 Terminal and all technical personnel involved.

U.S. LPG Production and Consumption

U.S. LPG production for 2016 was 76.5 million tonnes, up 1.8% year on year from 75.1 million tonnes. The growth was driven by an increase in propane production, with gas plant and refinery production registering 1.5% and 4.5% growth respectively, offset by a 9.1% decrease in refinery production of butane.

Domestic U.S. LPG consumption in 2016 decreased 1.5% year on year to 54.3 million tonnes, spurred by weaker propane retail demand (which was down by 3.4%) but offset by increased demand for butane to gasoline blending (which was up by 2.8%).

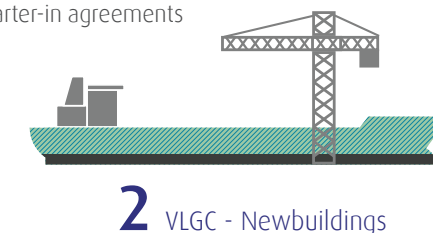
With the opening of the Neo-Panama Canal, VLGCs quickly became the vessel type transiting the canal most frequently. However going forward, we expect congestion to lead to delays as containerhips are given priority over VLGCs, the first LNG shipments from the U.S. begin in earnest in 2018, and more vessels seek to transit the canal.

VLGC Fleet Growth

The VLGC fleet counts 244 ships on the water, of which 16% were built in or before 1996 and 33% in or before 2006. For the VLGC segment, 26 ships will be delivered in 2017.

Furthermore 13 ships are expected to be delivered in the period of 2018 to 2020. BW LPG took delivery of six newbuildings and entered into two time charter-in agreements

effective in the year 2020. Today, BW LPG operates 20% of the VLGC fleet on water.

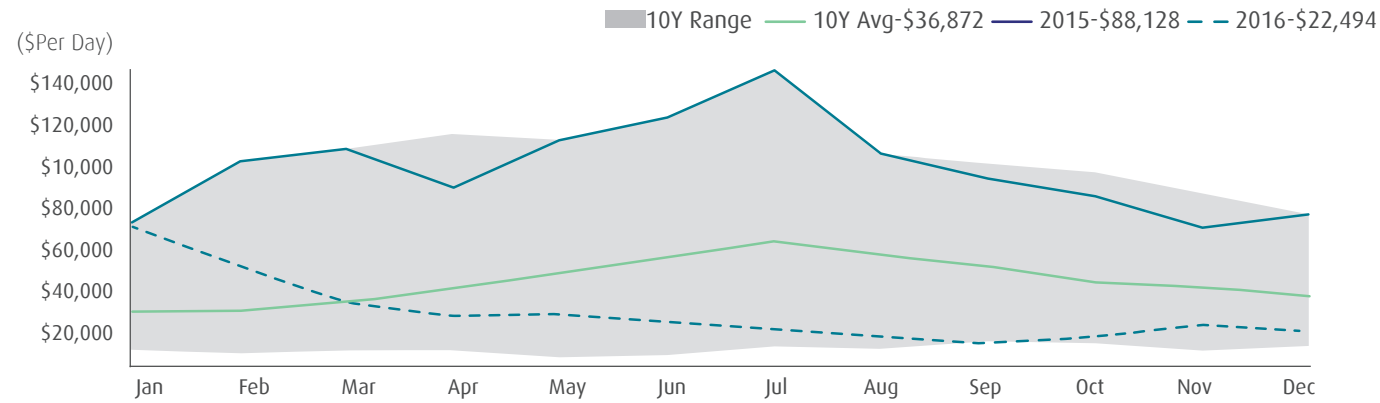


2016 MARKET AND BUSINESS REPORT

2016 in six graphs

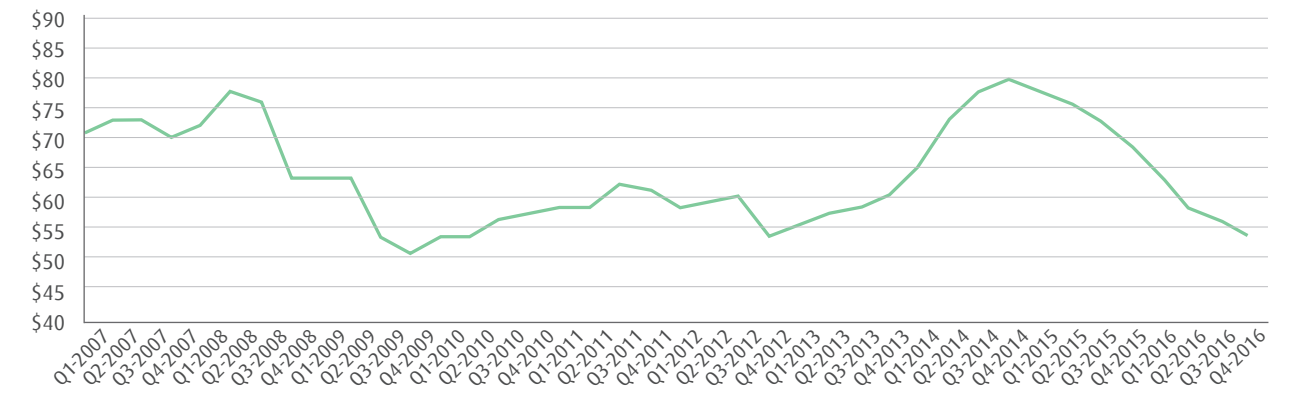
1. VLGC rates have fallen by 75% YoY in 2016...

Trailing Ten Year Monthly VLGC Spot Rates



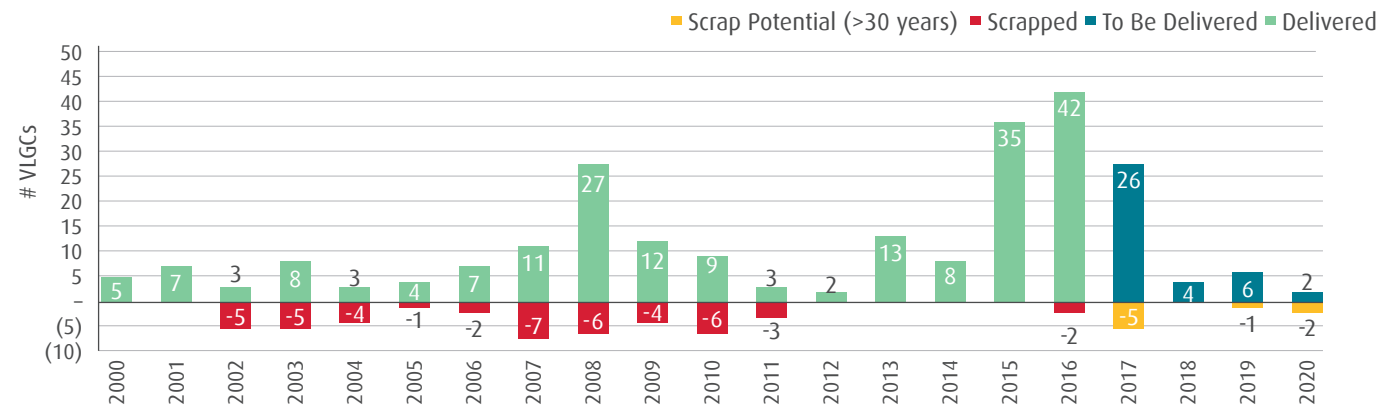
2. ...leading to a 23% reduction in secondhand prices

Quarterly 8yr Old VLGC Prices (\$MM)



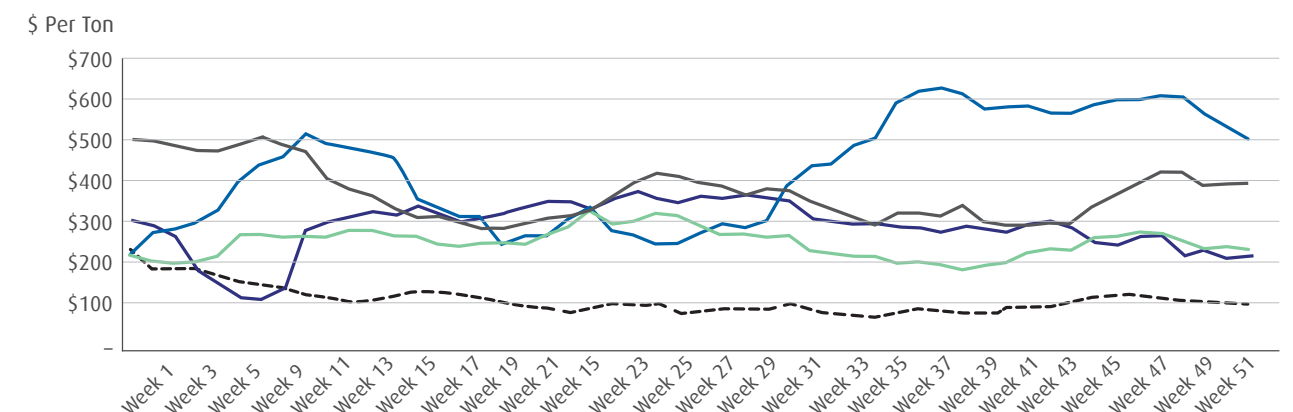
3. This is due to VLGC fleet growth of 42 ships or 22%...

VLGC Fleet Development 2000 - 2020



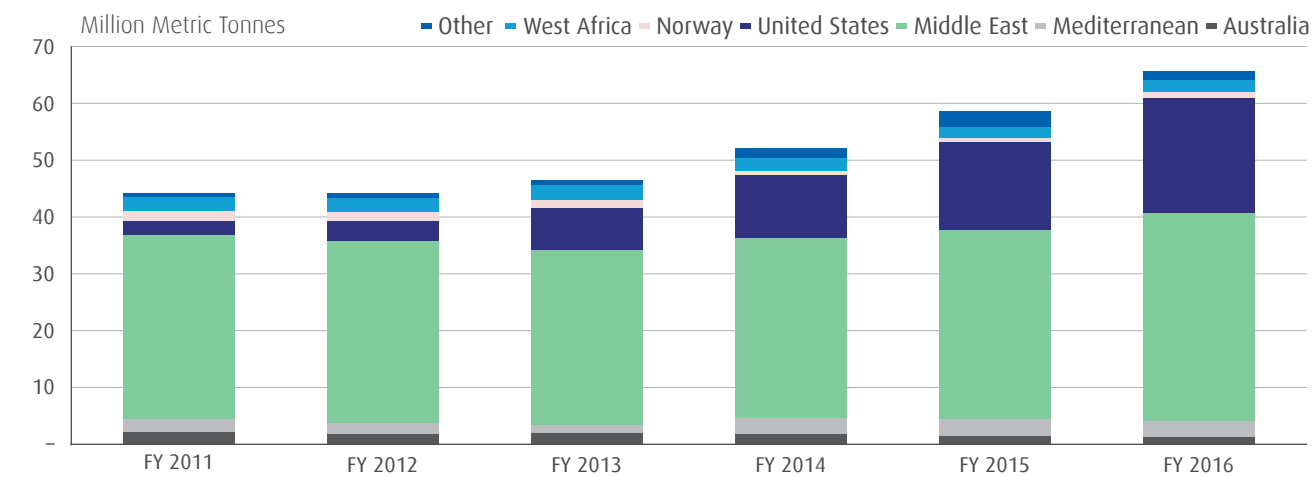
4. ...as well as a collapse in the arbitrage to \$91/ton, from \$240/ton in 2015

Historical Far East - US Propane Price Spreads



5. However, global VLGC trade has grown by 7mt or 12%...

2016 VLGC Trade By Exporter



6. ...with China (29%) & Korea (20%) driving import growth

Change in LPG Imports FY 2016 / FY 2015

