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PRESENTATION

Operator

Welcome to BW LPG's Third Quarter 2019 Financial Results Presentation. We will begin shortly. You will be brought through the presentation by BW LPG's CEO, Martin Ackermann; and CFO, Elaine Ong. They will be pleased to address any questions after the presentation. (Operator Instructions)

Certain statements in the conference call may constitute forward-looking statements based on management's current expectations and include known and unknown risks, uncertainties and other factors, many of which BW LPG is unable to predict or control, that may cause BW LPG's actual results, performance or plans to differ materially from any future results, performance or plans expressed or implied by such forward-looking statements. In addition, nothing in this conference call constitutes an offer to purchase or sell or a solicitation of others -- purchase or sell any securities.

With that, I'm now pleased to turn the call over to BW LPG's CEO, Martin Ackermann. Thank you. Please go ahead, sir.

Martin Ackermann ***BW LPG Limited - CEO***

Thank you. Welcome to the presentation of BW LPG's results for the third quarter of 2019, the financial period ending on the 30th of September. I'm joined here by our CFO, Elaine Ong, as always, and we appreciate your interest, and we'll take questions at the end of this call.

I would like to direct your attention to the highlights on Page 4. In the third quarter, BW LPG has achieved the highest ever quarterly net profit of $117 million, underpinned by outstanding commercial performance and a strong VLGC freight market.

Because of the commercial decision to keep 87% of our fleet exposed to the strong spot market, we were able to capture the rebound in the freight market. And in the third quarter alone, we offset the total losses we incurred in 2017 and 2018. TCE rates on our VLGC fleet averaged at $48,100 per day, supported by overall strong U.S. LPG exports and high geographical LPG price spreads.

For first half 2019, an interim dividend of $0.10 per share or $14 million was paid to the shareholders in September 2019.

I would also like to highlight the following important subsequent events. On the back of a strong quarter, a positive market outlook and strong balance sheet, the board has amended the dividend policy from semiannual to quarterly dividend payout. The target payout ratio of 50% of our net profit after tax remains unchanged.

With our strong performance in the third quarter, we're proud to return cash against to our shareholders, displaying our core focus on capital discipline. The board has declared an interim cash dividend of $0.33 per share for the third quarter of 2019, amounting to $45.7 million. This brings our year-to-date 2019 cash dividend to $0.43 per share, in line with our policy of 50% of NPAT.

Lastly, in October 2019, BW LPG entered agreements to sell 2 LGCs, the remaining 2 in our fleet, generating $31 million in liquidity and a net gain of $9 million.

If you please turn to Slide 5, we review the key financials of the quarter. In the third quarter, we generated total TCE income of $185 million based on daily rate of $48,100 for the VLGC segment, with a contract coverage of 12%. In the third quarter, BW LPG entered into back-to-back contracts, which resulted in an $10 million gain. IFRS accounting rules required that the projected profit or loss of such charters are immediately recognized on the income statement. These vessels will, therefore, be removed from our reported time charter rates and time charter coverage.

On the balance sheet, these contracts are accounted for as finance leases. EBITDA increased to $149 million for the third quarter of 2019, representing a strong EBITDA margin of 81%. Profit after tax was $117 million for the quarter or $0.83 per share.

As highlighted earlier, the profit for the third quarter alone is equivalent to the accumulated total net losses in both '17 and '18, including $38 million in impairments. This gives us a strong annualized earnings yield of nearly 57%, and return-on-equity of 46% for the third quarter.

With our low cash breakeven, we have a strong cash flow from our operating activities enabling us to return cash to shareholders and at the same down -- at the same time, pay down our debt. Our leverage ratio stands at 55% -- or 54.7% for the third quarter, continuing the declining trend since the first quarter of 2019 at 59%.

Please turn now to Slide 6. Our main risks relate to the inherently cyclical nature of the shipping industry and the consequent inherent volatility of financial performance. At BW LPG, we aim to time this cycle best possible. From the year 2013, when we IPOed to year 2015, we saw strong freight rates with the Baltic TCE rate averaging $67,300 per day, mainly due to the massive expansion in U.S. exports of LPG into an expanding market in the Far East.

In this period, BW LPG owned 27 VLGCs, with an average age of 8 years. From year 2016 to the first quarter of 2019, the VLGC market into the downturn with a Baltic TCE averaging around $17,000 per day.

We were well prepared for this market downturn with the contract coverage of 75% and a very strong balance sheet. During the downturn, we strengthened our company with the expansion and rejuvenation of the fleet in 2017, we acquired 9 modern ships through the acquisition of Aurora LPG, and we divested 9 vintage ships during the same period, all at values above newbuilding equivalent.

The acquisition of Aurora LPG illustrates our strategy of investing countercyclically and growing through market downturns. We executed the acquisition of the lowest point in the cycle since 2009 and acquired the company at a discount to net asset values.

In line with our market outlook, the VLGC freight market started to recover from the second quarter of 2019, and today, the Baltic TCE is around $70,000 per day. We are positioned for the strong spot freight market with a coverage of 12% for the remainder of 2019, supported by strong market fundamentals, we foresee a continued positive freight market for 2020, and we're well positioned with a contract coverage of only 5% for 2020.

Currently, BW LPG owns 35 VLGCs with an average age of 8 years, and we operate 47 vessels. I'll now turn to Slide 7 for an overview of our commercial performance.

In the third quarter, we had hardly any technical offer in making our VLGC fleet available on 99.4% of all calendar days. Our TCE rates on our VLGC fleet averaged $48,100 per day, including offhire and $48,400 per day excluding offhire. We achieved high commercial utilization of 98.5%, reflecting only 1.5% waiting and positioning time across the fleet.

Excluding waiting time, our VLGC spot earnings came in at $52,100 per day. The Baltic VLGC index for the quarter but with a 1-month lag, realized $58,400 per day. During periods where the markets are rising and falling sharply. The market operators will inherently lag the index.

In addition, the Baltic VLGC indexes assets from Ras Tanura-Chiba, AG-Japan, with the growing volumes from other regions, mainly the U.S., who is now exporting similar volumes as the Middle East, the Baltic VLGC index alone represent approximately 30% of the global VLGC spot market.

Turning to Slide 8. We provide an overview of seaborne LPG trade in the third quarter of 2019. Global total seaborne LPG grade grew by 14% year-on-year, driven by strong exports from North America, supported by stable and strong imports from Asia.

Chinese LPG imports remained strong and reached 4.9 million tons, with no material change year-on-year. Both Japanese and South Korean imports increased in the third quarter. Japanese imports increased by 29% to 3.4 million tons and South Korean imports increased by 7% to 2 million tons.

Retail demand from India remained firm in the third quarter, and total LPG imports increased marginally by 1% to 3.7 million tons. Year-to-date, Indian LPG imports have reached 10.3 million tons, 11% higher year-on-year.

LPG imports from Southeast Asia increased significantly by 52% to 2.9 million tons. Year-to-date, Southeast Asian imports have reached 8 million tons, which represents a 34% higher year-on-year growth.

On the export side, North American LPG exports reached 10.5 million tons, which is up 22% year-on-year. North American LPG exports by VLGC reached 8.8 million tons, which is the highest in history, up 18% year-on-year.

Middle Eastern exports decreased marginally by 1% year-over-year to 10.2 million tons. And notably, exports from Saudi Arabia fell by 24% to 1.8 million tons, while exports from Iran fell by 20% to 0.9 million tons.

Exports from the UAE increased by 10% to 2.7 million tons and exports from Qatar increased by 6% to 2.8 million tons.

Turning now to Slide 9, we summarize our long-term outlook on the LPG exports to year 2025. LPG's a supply-driven market with more than 85% of the global VLGC exports coming from U.S. and Middle East. U.S. shale revolution has enabled the rapid growth in LPG productions and exports. From year 2015 to year 2020, U.S. LPG exports by VLGCs will grow at a strong compound annual growth rate of 21%.

As such, U.S. LPG exports are expected to surpass the Middle Eastern exports in 2020. However, based on our internal long-term forecast, we estimate a relatively normalized U.S. production growth from 2020 onwards, at a compound annual growth rate of only 4%.

On the long-term, we maintain that no further newbuild orders remain the key to a balanced VLGC market. Turning to Page 10, we provide an updated snapshot of the EIA's outlook for LPG balances in the U.S.. Notably, EIA has further revised 2019 U.S. LPG net exports, upwards in his latest forecast. Total 2019 net export is now estimated to reach 37 million tons, which is a growth of 23.4% from 2018. For 2020, U.S. LPG production is expected to further grow by 6.2%, while domestic consumption is expected to grow marginally at 0.5%, resulting in a net export growth of 16.3%. Net export is, hence, estimated to reach 44 million tons in 2020.

Turning to Page 11, we give an overview of global LPG imports. The Far East, Indian Ocean and Southeast Asia are expected to contribute to the largest increase in imports, supported by strong demand from the petrochemical and retail sector.

Longer term, the LPG market remains a supply-driven market with a potential for significant further increase in imports. On Slide 12, we see the global fleet of VLGC stands at 278 vessels as of 30th October 2019, after 13 ships were delivered in the first half of the year. The current order book to fleet ratio stands at 15%, with 5 more expected to be delivered in the remainder of 2019. A further 19 in 2020 and 17 in 2021. We have identified 4 VLCC recycling candidates for 2020 to 2021, 3 in 2020 and 1 in 2021, which would leave the net growth in number of vessels to 37 vessels or 13.3%, assuming no more newbuild orders.

Of course, high rates have a tendency to restrain recycling from happening. The recycling candidates are identified based on historical recycling age of VLGCs, which is 28 years old, the nature of the ownership and contract commitments of the vessels.

As mentioned earlier, BW LPG entered agreements to sell 2 VLGCs in October 2019. And after this transaction, BW LPG owns and operates a total of 47 VLGCs, including 2 newbuildings, which are scheduled to be delivered in fourth quarter 2019 and first quarter of

2020.

We do not have any CapEx commencements on those vessels. And the average age of the fleet, excluding our India JV and 1 storage vessel is 7.5 years.

Now let's turn to Page 13. BW LPG has been very proactive towards the upcoming regulations pertaining to IMO 2020. We have positioned ourselves with a range of options to comply with these regulations. BW LPG has been working closely with oil majors and suppliers on testing and have secured available compliant fuels.

We have also secured spreads between MGO and HFO with financial hedging to mitigate our exposure to the uncertainties in compliant fuel prices, especially in the near-term.

We plan to retrofit 13% of our fleet, with installation of exhaust gas cleaning systems or scrubbers. Following a lengthy development process together with the engine manufacturer, MAN B&W, we signed contracts for retrofitting 4 LPG propelled dual fuel engines, making us a global pioneer in LPG propulsion. Our vessels will be ready from second quarter of 2020.

With that, let me turn you over to Elaine, who will walk you through the financial position and our results.

Elaine Ong ***BW LPG Limited - CFO***

Thanks, Martin. Starting with the financial highlights on Slide 14. Year-to-date, we have accumulated net profits of $120 million, following the strong recovery in the VLGC market since the beginning of Q2 this year.

We generated $117 million of profits in this quarter alone, making Q3 2019, our most profitable quarter ever. Our EBITDA was consistently positive through the cycle, in spite of the very challenging market in the last 2 years.

Our year-to-date EBITDA was at $245 million, representing a strong margin of 69%. Of this $245 million, only $24 million is attributed to the net impact of the adoption of the new IFRS 16 on leases since the beginning of this year. We have also consciously started to deleverage our balance sheet. With the excess cash generated from the strong market, decreasing our leverage ratio from 59% at the end of the first quarter this year to 55% at the end of Q3. With the $14 million in dividends paid this quarter, we have paid accumulated dividends of $500 million since our IPO in 2013.

Including the dividend announced today, we will have paid out $4.04 per share. This represents over 74% of our accumulated net profits per share of $5.45 since our IPO in 2013.

Turning to Page 15. We provide an overview of our income statement. Our TCE income for the quarter was $185 million, driven mainly by the strong spot rates and high fleet utilization of over 98%. EBITDA came in at $149 million, representing a margin of over 80%. Following the new IFRS accounting standards, our charter in contracts with more than 12 months' duration, have been capitalized on our balance sheet. While our charter in contracts that expire within the next 12 months will continue to be reported as charter high expenses.

As such, our charter high expense for the quarter declined to $3.8 million. In addition, back-to-back time charter contracts were entered into this quarter, which resulted in a $10 million gain from the derecognition of the right-of-use assets. The net impact of adopting the new IFRS on leases was an increase in EBITDA of $5.7 million, and an increase in profit of $8.9 million for the quarter.

Taking all this into consideration, our profit after tax this quarter was $117 million or a profit of $0.83 per share. The board has declared a further interim cash dividend of $0.33 per share, amounting to $45.7 million. The dividend will be payable on or about 6 December 2019, to the shareholders on record as of 27 November 2019. Implying shares will trade ex-dividend from 26 November. The dividend will be accounted for in the financial results for the financial year ending 31 December 2019.

Turning to Slide 16. We'll provide a snapshot of our balance sheet and cash flow position. We generated $125 million of net cash from our operating activities during the quarter and $5 million of net cash from our investing activities.

Net cash useful, our financing activities this quarter was $135 million. This included $39 million in scheduled repayment of our bank borrowings and related interest. $55 million in repayment of our revolving credit facility and $14 million in interim dividends for the first half of 2019.

We ended the quarter with cash and cash equivalents of $47 million. Turning to Slide 17 for an overview of our liquidity and debt position. At the end of September, our net debt position was at $1.2 billion. Our all-in cost of debt across all our 5 loan facilities average a very competitive margin of LIBOR plus 177 basis points.

We have consistently maintained over $200 million in liquidity through the down cycle and ended the third quarter with $227 million in available liquidity. We have a low all-in cash breakeven of under $23,000 per day for 2019. The all-in cash breakeven includes our vessel operating costs, G&A expenses, scheduled loan repayment and related interest, net lease liabilities, dry docking costs as well as CapEx related to our LPG propulsion retrofits and scrubber installations.

Our next debt maturity of $65 million in balloon payments on our $150 million term loan is due in 2023. This balloon payment will decrease to $46 million, following the completion of the sale of our last 2 VLGCs, which was announced recently. With this, I'd like to hand it back to Martin to conclude our presentation.

Martin Ackermann ***BW LPG Limited - CEO***

Thank you, Elaine. So if you'll please turn to Slide 18. I will provide a summary of our outlook on the VLGC market. In line with our forecast, the VLGC freight market starts to recover at the end of the first quarter, and the positive momentum has continued into the third quarter. This is supported by U.S. LPG production and terminal growth. We expect the delayed expansion of enterprise export terminal to ease the tightness in the U.S. Gulf Coast export terminal capacity, support high U.S. exports and VLGC fleet utilization in the near term.

The growth in the LPG export is well supported by strong demand for imports, mostly driven by petrochemical sector in Northeast Asia as well as the retail sector from emerging markets across Asia, such as India and Indonesia.

As such, we expect the ton-mile demand for VLGCs will increase, giving a positive freight outlook for the remainder of 2019 and 2020. However, increased demand will in part be offset by a higher level of newbuilding deliveries.

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

With that, I'd like to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have the first question from the line Peder Jarlsby from Fearnley Securities.

Peder Nicolai Jarlsby ***Fearnley Securities AS, Research Division - Equity Analyst***

Congrats on a very good result. Just quickly on the dividends. So now you paid roughly 40% of EPS. Going forward, given where you are on the balance sheet and that you have no maturities until 2023. So should we still assume that 50% of NPAT is kind of the standard and then you have the option to kind of move higher if the balance sheet and market outlook at all spreads?

Elaine Ong ***BW LPG Limited - CFO***

Peder, Elaine here. Our current dividend policy of 50% NPAT still holds. And at this point, we will aim to comply with our policy, but the board always has this question to amend that should -- the market conditions change. So I would suggest that you use 50% NPAT as a guide.

Peder Nicolai Jarlsby ***Fearnley Securities AS, Research Division - Equity Analyst***

Okay, perfect. Then -- and on the charter ins, you had, in the Q2 presentation, you had 3 charter in vessels expiring? And then could you provide some information on this? Have these -- are these declared options? Or maybe add some color on those? And also, when they actually expire?

Martin Ackermann ***BW LPG Limited - CEO***

I don't think we'd like to go into details around, especially when our vessels expires and when we have contracts up for a renewal. But some of the details that you saw last quarter might be have -- might have booked -- been booked on the balance sheet, as I mentioned, we entered into some sale leasebacks. And part of that has been recognized on the P&L as immediate profits. That's the closest I can get into the charter book. Otherwise, you can look at the back of our presentation, where you can see exactly how many days we have of charter in and out.

Peder Nicolai Jarlsby ***Fearnley Securities AS, Research Division - Equity Analyst***

Okay, perfect. That's fine. And then just 1 final one. So looking at the market now, it seems like charters are booking quite far in advance. Is it possible for you guys to give kind of a ballpark number in terms of how much you covered for the fourth quarter? I understand you can say freight rates, but just in terms of percentage of days that you covered so far?

Martin Ackermann ***BW LPG Limited - CEO***

We have covered more than 80% of our book now for the fourth quarter and the Baltic has been a little choppy over the last 2 months, although at very high levels. So I think as a guidance note, keep it at more or less, the same results in line that we've been delivering this quarter.

Operator

We have the next question from the line of Lars Østereng from Arctic Securities.

Lars Bastian Østereng ***Arctic Securities AS, Research Division - Shipping Analyst***

I saw that in the report, you mentioned a delay on the enterprise terminal that was at least new to me. So I was wondering, if you could maybe provide a bit of color on that and also how you now expect Enterprise's capacity to develop throughout 2020?

Martin Ackermann ***BW LPG Limited - CEO***

Thanks for calling in. Yes, it's correct that the expansion of the enterprise terminal has been delayed. Officially, they have said that it's technically ready, but exports have not started. So what exactly that means is slightly up in the air. I can't tell you that the current nameplate loading capacity for the terminal there's about 660,000 barrels per day, which is just shy of 20 million tons per year or in VLGCs approximately 37 VLGC cargoes of capacity each month. And they were initially scheduled to complete late September 2019, adding another 5 million or 5.3 million tons a year or say, 10 VLGCs a month. And that expansion has been delayed somewhat. We're not -- full issue, when it will be ready, but we believe it's probably imminent. The expansion will allow the terminal also to low butane and propane simultaneously, which will improve the docking times of the -- at the terminal even further.

Operator

We have the next question from the line of [Dennis] from ABG.

Unidentified Analyst

My first question is around the new propulsion systems and the scrubbers. What's your outstanding CapEx on those? Do you have any?

Martin Ackermann ***BW LPG Limited - CEO***

Well, I don't think we have -- thanks for calling. Sorry for the silence here, we were giving each other looks here and who was supposed to answer that question. I don't think we want to be that specific. I don't think we have revealed exactly those numbers. We have guided that the installation of the LPG propulsion is including deck tanks, the retrofit of the engines, fuel supply systems, tech strengthening, et cetera, dock times, everything is north of $8 million per vessel. And I can say that we're -- if anything, we are delighted to see that the product market and the price spreads have developed favorably in our direction, meaning that in addition to all the environmental benefits that we have been such strong proponents for. We can also now see that the financial benefits are very favorable, which means that it bodes well for potential retrofits of further VLGC carriers.

Unidentified Analyst

So are you -- with that in mind, are you considering expanding the LPG propulsion program by any chance? Or do you think you're going to wait until you install them first?

Martin Ackermann ***BW LPG Limited - CEO***

Well, I mean, we have been quite vocal about how many ships we have that are capable of retrofitting. And we, of course, keep optionality with our suppliers and these things. As you should expect. So I think you can expect that we are evaluating all our options at this point. And that's probably as far as I'll go on that point of -- at this moment in time.

Unidentified Analyst

Okay. And 1 last question, you related to the IMO 2020, having an effect on vessels going up for scrubber retrofitting, but also the IMO 2020 probably have an increase in the fuel prices? I'm just thinking I want to hear your thoughts about if that's going to have any downside on the U.S. export economics, given the added cost is going to have?

Martin Ackermann ***BW LPG Limited - CEO***

Well, everything being equal, of course, it can potentially get a little bit more expensive for ships, it will get more expensive ships to move relatively from U.S. Gulf to Asia as opposed to Middle East to Asia. And I guess that's what you're implying. But when we look at the economics on LPG prices, U.S. compared to Middle East, there still seems to be room for -- to absorb that in the prices, and we're not really concerned about that. So -- yes, that's it.

Unidentified Analyst

Okay. And just in -- and since you mentioned the propane -- the prices in the Middle East. You also mentioned the drone strikes in your presentation and the report, do you think that's had any kind of effect on the prices in the Middle East? Or do you think that's been completely unaffected by it. Just because it might be driving the spread as well?

Martin Ackermann ***BW LPG Limited - CEO***

Yes, I think -- I mean, we saw for sure that it had a stronger impact on Saudi Arabian volumes. That I -- and I did mention that they came down by 24%. A part of that is the drone strike and part of that is continued OPEC+ production costs. So yes, I think part of the increases we have seen in prices can be attributed to the challenges that has been seen in that region during the quarter.

Operator

We have the next question from the line of Eirik Haavaldsen from Pareto.

Eirik Haavaldsen ***Pareto Securities, Research Division - Head of Research***

Just your sort of coverage is very different from BW 6, 7 years ago. There are no index-linked COA days or anything like that in your portfolio for 2020, right? That is not mentioned.

Martin Ackermann ***BW LPG Limited - CEO***

No, we don't -- we -- well, I would say we only -- thanks -- first of all, thanks for calling in Eirik and thanks for showing interest, and we're disclosing only in our portfolio at the back of the presentation, our fixed rate coverage. So if we have anything that's at -- which is index-linked. We're not talking about it and prefer to keep that on the reps, but you should expect, of course, any contracts we have to move and if we don't mention them to move exactly in line with the spot market or better.

Eirik Haavaldsen ***Pareto Securities, Research Division - Head of Research***

All right. So nothing that would sort of prevent your trading ability or I think any of the sort. And secondly, the 1, I sit because -- yes...

Martin Ackermann ***BW LPG Limited - CEO***

No, I can just elaborate on that. Of course, we talked about it in the past that we -- especially with the evolution of the global VLGC market, with such a large proportion of cargoes now coming from the U.S. and historically, movements being -- well, mostly Middle East and of course, some small parts of Europe and quite a lot from West Africa. Now you have U.S. playing a vital role. You have Australian volumes and so forth. And of course, you should expect that we would not lock ourselves into a position that would negatively affect our ability to enjoy the strong freight markets.

Eirik Haavaldsen ***Pareto Securities, Research Division - Head of Research***

That's good to hear. But -- and also then on the time charter activity, isn't it at all tempting to lock in a little bit at these levels?

Martin Ackermann ***BW LPG Limited - CEO***

Of course. Of course, It's tempting to lock in a little bit. But of course, we have been disciplined now for a long time. And of course, we have our own rate levels that are acceptable to us. Not just the rate levels, but also the duration of the charters. And of course, we look at that every day. So you should expect this to be prudent and over time, take up some coverage. We're, of course, not expecting to be at 5% coverage when we enter the next down cycle, which -- and adversely will come at some point.

Eirik Haavaldsen ***Pareto Securities, Research Division - Head of Research***

Okay. And thirdly, then on to -- maybe to Elaine. And you're paying down now roughly $100 million of debt every quarter in terms of net debt, at least. What are you going to do with all the money? Because, I mean, you -- there's no point in getting your debt level down to 30%, 20% with your type of funding. So I mean dividends, of course, but anything else where we should look out for?

Elaine Ong ***BW LPG Limited - CFO***

So well, I think at this point, this has been kind of the first quarter where we've enjoyed significant profit. So I think our decisions on how we're going to allocate this excess cash will really depend on how -- how things panel in the next couple of quarters, which is looking quite positive. We have demonstrated returning value to the shareholders through our dividend policy and paying down debt right now remains our priority because our leverage is still at mid 55%, and that's probably a bit too high. And if we can bring that down to further strengthen our balance sheet first as a priority. I think that would be still our preference. Beyond that, I think we have -- we will look at opportunities opportunistically as they come available.

Martin Ackermann ***BW LPG Limited - CEO***

In short, the 4 Ds, capital discipline equates into deleveraging, dividends and good deals.

Operator

(Operator Instructions) We will now take questions from the webcast.

Iver Baatvik ***BW LPG Limited - Head of IR***

Yes, the first question from the webcast is from Axel Styrman from Nordea. And he asks how many VLGCs do you estimate are currently out of the market related to scrubber installations? And the second question is, why did Japan increase LPG imports at the level they reported in Q3? So in our presentation on Slide 8, we show that Japan's LPG imports grew from 2.6 million in Q3 2018 to 3.4 million in Q3 2019.

Martin Ackermann ***BW LPG Limited - CEO***

Thank you for calling in, Axel. And we estimate about 20% of our vessels will be installed with scrubbers, which is the 20%, 50 ships in total. And we have about 20 of them already fitted. So we should expect the remaining 30 vessels to disappear from the market for -- well, a slightly extended period of time to have those scrubbers fitted. And I would think that most shipowners were trying to do that in conjunction with already planned. This is that yard, at least that's how we are thinking about it. Because, of course, if you look at the time value of taking your ships out in the current market, you may think twice about this in your evaluation of whether it makes sense or to install these exhaust gas systems. When we talk about Japan, what we've been seeing is, there's no particular reason, apart from the fact that they bought a lot of LPG over the summer. So as far as we have been able to see the inventories have been very full year-on-year in Q3. And they did sell a lot of stocks during the second quarter, so they're replenishing that as well. So that's where -- that's what we can read into the numbers that we've been seeing.

Iver Baatvik ***BW LPG Limited - Head of IR***

Okay, operator, then there's no further questions from the webcast, but I think there's 1 more question on the call.

Operator

Yes. We have the next question from the line of [Chrissy Austia] from [Stephen].

Unidentified Analyst

I wondered, you've realized around 90% of the Baltic index. Do you expect now that the index has kind of stabilized around a range, you'll be able to realize a higher percentage of the next number?

Martin Ackermann ***BW LPG Limited - CEO***

No. I prefer -- first of all, thanks for calling in and asking questions. And I prefer not to give any concrete guidance of where I think the Baltic index is going. And I can't say that we're -- we mentioned a lot of positive things that will impact -- that we expect to impact the Baltic over the next 5 quarters. But of course, we are also hitting Q1, which is traditionally a lower rate period in the market. So there may be some effect of that on the rates. But of course, currently, we're fixing quite long, as was also discussed now. So fixtures that we're doing at current levels are for most of them going well into the first quarter. So we are positive, as we've been saying, but that's as close as I can get to you on Baltic guidance. In terms of our performance, relative to the Baltic, I mean, as we said, we came in close to 90% on the 3 months trailing Baltic, if you look at the current Baltic, it's actually much closer, and you should probably expect something around there. I think, as I mentioned, it's -- when the market is going up and down during the course of these periods, you will see operators trailing behind the market movements.

Unidentified Analyst

Okay. Let me clarify my question. My understanding is that in a rising market, do you kind of like capturing the Baltic index. But I would expect that in the last few months, at least at the quarter-to-date, the index has stabilized, and it's a bit choppy, as you mentioned, but it's not as -- it's not rising to the extent that was in Q3. Does that mean that you will be able to perform closer to the index, in an index where it's not rising or not?

Martin Ackermann ***BW LPG Limited - CEO***

Well, if the market is -- let's just assume, theoretically, that market remains flat, then it will be easier for us to beat the index, because then we will be -- as we always do, try to fix with a strong hand, and we will read as much as we can into a more or less stable market position. Of course, what happens typically when the markets rise quickly over a short period of time, our ships will have locked in whatever rates at the beginning of that period, and we won't be able to take the full upside of an increasing market. Then you would think that we should capture much more value on a downward market. But what actually happens there is that many buyers pulled back from the market immediately, which strengthens the downward trend in the market, and increases the waiting time for the players in the market. So I think the best rule of thumb here is to expect that when there are steep movements in either directions, you should expect operators to be trailing behind the Baltic index. And another important point I raised today during our call is, that only approximately 30% of the total market fixtures are represented by the Baltic index. So the Baltic market index is set only of fixtures being done between AG and Japan. So any other fixtures from West Africa, from U.S., from Scandinavia, et cetera, does not impact the Baltic. Even if they are, of course, calculated on a Baltic equivalent and maybe above the Baltic, they won't -- they will not impact the Baltic either up and down.

No problem. If you have more questions on that, we'll be happy to take it offline with our research team to just write our IR department and then we can discuss this offline. Do we have any more calls?

Operator

We will get back to webcast again.

Iver Baatvik ***BW LPG Limited - Head of IR***

Yes. One more question from the webcast. This is from [Savio Brune] from [Atria]. He asks, looking into the shipyards that are able to build VLGCs, what is the average backlog they have? In other words, if 1 would look to order a new VLGC, how long will it take?

Martin Ackermann ***BW LPG Limited - CEO***

Thank you for calling in. It takes approximately 24 months to build a VLGC, and that, of course, depends on the yards. The 2 Japanese that are capable of building will probably be longer than that, as far as we can see the 1 Chinese yard that is building. This is also getting quite filled up. And then you have 2 main Korean yards and there, we will see approximately similar ordering rates. They have been -- or they will -- they should be expected to be filling up with LNG orders due to the big tender out of the Middle East. I do apologize for the background noise here. We are in a meeting conference room in a hotel. But apparently, we have a booked look gathering next hour. So if you hear some noise, it's not Elaine and myself. I think we don't have any...

Iver Baatvik ***BW LPG Limited - Head of IR***

Okay. There's no further questions on the webcast. So I'll hand it over to the operator to close the call.

Operator

Thank you. We have come to the end of today's presentation. Thank you for attending BW LPG's Third Quarter 2019 Financial Results Presentation. More information on BW LPG is available online at www.bwlpg.com. Goodbye. Thank you.

Martin Ackermann ***BW LPG Limited - CEO***

Thank you.
