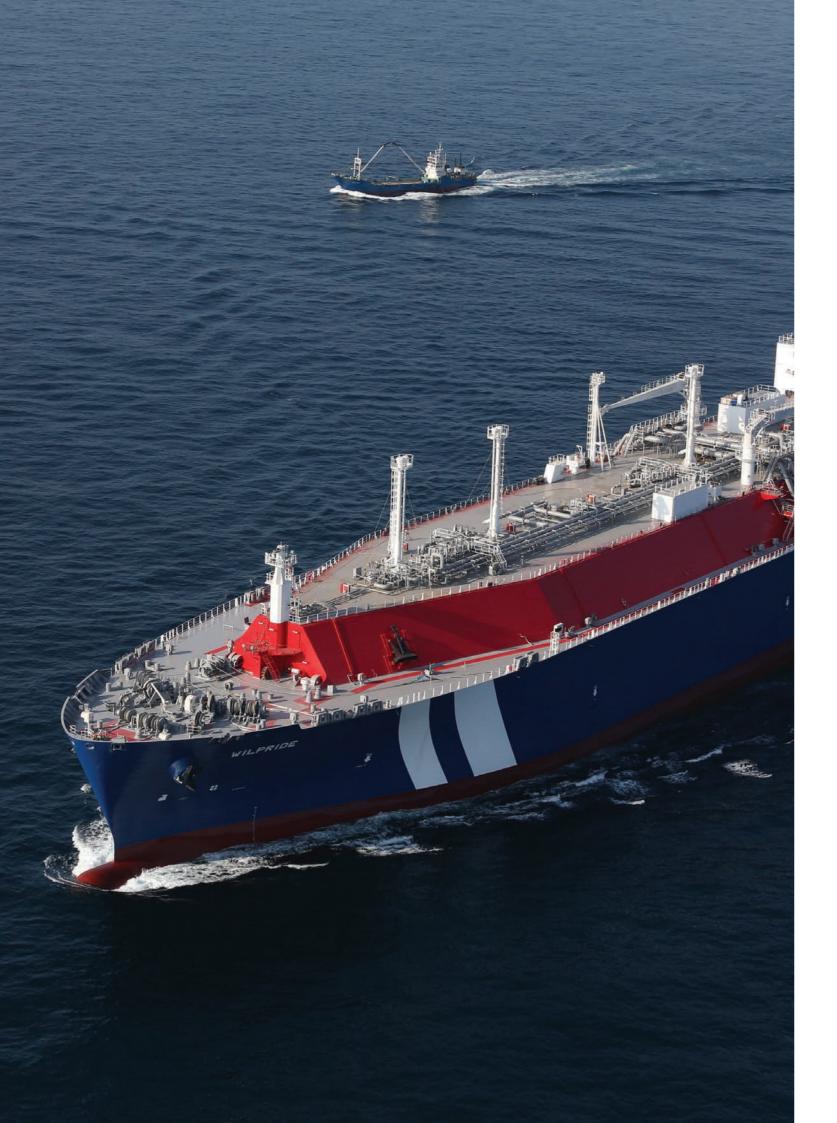




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Design and layout: BIG FISH



# AWILCO LNG HAS AN INDUSTRIAL APPROACH AND A LONG-TERM COMMITMENT TO THE LNG SECTOR.

# DESCRIPTION OF AWILCO LNG

# **COMPANY OVERVIEW**

The Awilco LNG Group (the Group or Awilco LNG) is a Norwegian based owner and operator of LNG vessels in international trade. The Group currently owns two 156,000 cbm 2013 built LNG TFDE membrane vessels; WilForce and WilPride, and two 125,000 cbm LNG Moss-type vessels; WilGas and WilEnergy. Awilco LNG has an industrial approach and a long-term commitment to the LNG sector.

Commercial and technical management is handled out of the Group's office in Oslo, Norway.

# **HISTORY**

Awilco LNG ASA (the Company) was incorporated in February 2011 by Awilco AS, a company in the AWILHELMSEN Group which has fostered several companies previously listed on Oslo Stock Exchange, for the purpose of acquiring three secondhand LNG vessels.

The three LNG vessels WilGas, WilPower and WilEnergy were acquired for an aggregate price of USD 67 million, which was financed through private placements in February and April

2011, in addition to shareholder loans that were subsequently converted to equity. WilGas was delivered to the Group in March 2011, WilPower at the end of May 2011 and WilEnergy at the end of June 2011. WilPower was sold in 2015 for net proceeds of USD 17.8 million.

On 12 May 2011, Awilco LNG signed shipbuilding contracts for construction of two LNG newbuildings, which were partly financed through a private placement of NOK 534.8 million in May 2011.

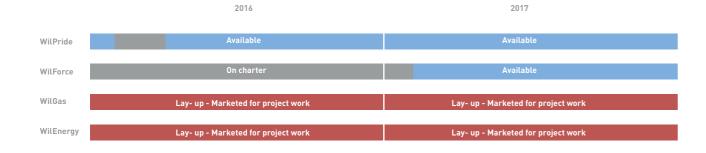
On 6 September 2011 the Company's shares were listed at the Oslo Stock Exchange under the ticker ALNG.

On 16 September 2013 the Group took delivery of its first 156,000 cbm TFDE newbuilding WilForce, and on 28 November 2013 Awilco LNG took delivery of its second 156,000 cbm TFDE newbuilding WilPride. Both vessels were financed through a financial lease, financing 75 % of the delivered cost.

On 30 July 2015 the 2nd generation vessel WilPower was delivered to its new owners.



# **CONTRACT COVERAGE**



# WILFORCE

Was delivered from DSME on 16 September 2013, and completed its maiden voyage in December 2013. She was 24 January 2014 delivered to an oil and gas major on a three year contract plus one year option in charterer's favour.

# WILPRIDE

Was delivered from DSME on 28 November 2013. The vessel is trading in the spot market. Awilco LNG is continuously evaluating mid- and long-term commercial opportunities.

# WILGAS

Is in lay-up and marketed for project work.

# **WILENERGY**

Is in lay-up and marketed for project work.

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# **MANAGEMENT**

Awilco LNG had 8 employees at the end of 2015. The Group handles the commercial and technical operation of the vessels from its main office in Oslo.

The Group purchases certain administrative services from Awilhelmsen Management AS and technical sub-management services from Wilhelmsen Marine Services AS, both companies in the AWILHELMSEN Group.



# JON SKULE STORHEILL Chief Executive Officer

Prior to his appointment as CEO of Awilco LNG ASA Mr. Storheill was Managing Director of Awilco AS, Director of S&P/Projects with Frontline Management and Director/Partner of shipbroking company P.F. Bassøe AS. Mr. Storheill has also been the Chairman of the Board of Wilhelmsen Marine Services AS in addition to serving with various board positions in the industry. Mr. Storheill has more than 25 years of shipping experience, is a Norwegian citizen and resides in Oslo, Norway.



# SNORRE SCHIE KROGSTAD Chief Financial Officer

Mr. Krogstad was previously CFO at Camillo Eitzen & Co ASA. He has held various shipping- and banking related positions since 1991. Mr. Krogstad has a BSc in Business Administration from University of Vermont, USA. Mr. Krogstad is a Norwegian citizen and resides in Oslo, Norway.



# IAN S. WALKER SVP Chartering

Mr. Walker previously held a similar position within Golar LNG. He has previously held various Commercial, Marketing and Project Development roles in LNG projects for both BG and Shell and has been involved in the natural gas & shipping industry for more than 25 years. Mr. Walker is a Scottish citizen and resides in Bærum, Norway.



# JAN ESPEN ANDERSEN Head of Operation

Mr. Andersen was previously Head of Operations at Höegh LNG. He has held various shore side marine related positions since 1997 following 7 years at sea and is a certified Master Mariner. Mr. Andersen has more than 25 years of shipping experience, is a Norwegian citizen and resides in Oslo, Norway.

# **BOARD OF DIRECTORS**



# SIGURD E. THORVILDSEN Chairman and Non-Executive Director

Mr. Thorvildsen is the CEO of the AWILHELMSEN group and Chairman of the Board of Awilco Drilling Plc. He has more than 20 years of experience from the shipping- and offshore industry. Mr. Thorvildsen has previously held several senior positions, among them the position as CEO of Awilco AS, the Chairman of the Board of Awilco Offshore ASA and Awilco Heavy Transport ASA (later Ocean HeavyLift ASA). He holds an MSc in Business and Economics from the Norwegian School of Management. Mr. Thorvildsen is a Norwegian citizen and resides in Oslo, Norway. Mr. Thorvildsen is a member of the Remuneration Committee



# HENRIK FOUGNER Non-Executive Director

Mr. Fougner is the COO of the

AWILHELMSEN group, and serves on the
board of Awilco Drilling Plc. He has more
than 25 years of experience from the
shipping, offshore and banking industry
both in Norway and internationally. Mr.
Fougner has previously held several senior
positions, among them the position as
CEO of Awilco Offshore ASA and CFO of
Awilco AS. He holds an MBA from the
Norwegian School of Economics and
Business Administration. Mr. Fougner is
a Norwegian citizen and resides in Oslo,
Norway. Mr. Fougner is a member of the
Audit Committee.



# JON-AKSEL TORGERSEN Non-Executive Director

Mr. Torgersen is the CEO of Astrup Fearnley AS, the parent company of a number of investment and broker companies. Mr. Torgersen has extensive board experience from a number of companies in the property, shipping, finance and offshore sectors, and serves as Chairman of the Board of Atlantic Container Line AB, Finnlines Plc and Norske Skogindustrier ASA. In addition he is member of the boards of IM Skaugen SE. and Transportation Recovery Fund. Mr. Torgersen holds an MBA (Finance) from Hochschule St. Gallen. Mr. Torgersen is a Norwegian citizen and resides in Oslo, Norway. Mr. Torgersen is a member of the Remuneration Committee.



# SYNNE SYRRIST Non-Executive Director

Mrs. Syrrist has work experience as an independent consultant, and as financial analyst in Elcon Securities ASA and First Securities ASA. She has also an extensive non-executive experience from both listed and private companies, and is currently among others a member of the boards of Awilco Drilling Plc and Eidesvik Offshore ASA. She holds a Master of Science from NTH and is a Certified Financial Analyst (AFA) from NHH. Mrs. Syrrist is a Norwegian citizen and resides in Oslo, Norway. Mrs. Syrrist is the chairman of the Audit Committee.



# ANNETTE MALM JUSTAD Non-Executive Director

Mrs. Malm Justad has previously worked as CEO in Eitzen Maritime Services, Vice President and Head of Purchasing at Yara International ASA, Vice President and Fleet Manager at Norgas Carriers AS and has held various technical and commercial positions for Norsk Hydro ASA. She also serves as Chairman of the Board of American Shipping Company ASA, Chairman of the Board of SeaBird Exploration Ltd and as board member of Odfiell SE. In addition she is Chairman of the Board of Store Norske Spitsbergen Kulkompani AS and board member of Port of London Authority. Mrs. Malm Justad holds a Master in Technology Management from NTH/NHH/MIT and a Master in Chemical Engineering from NTH. Mrs. Malm Justad is a Norwegian citizen and resides in Oslo, Norway.

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# **LNG MARKET** INFORMATION



# INTRODUCTION

Natural gas is a naturally occurring hydrocarbon gas mixture which consists primarily of methane. Liquefied natural gas (LNG) is natural gas that has been cooled and converted to liquid form for efficient storage and transportation. Once natural gas has been produced, the LNG supply chain involves three steps; liquefaction, transportation and regasification.

The liquefaction process involves removal of certain components such as water, hydrogen sulphide and carbon dioxide from the natural gas and then condensation of the gas into liquid form at close to atmospheric pressure by cooling it down to below -160 degrees celsius. LNG is about 1/600th the volume of natural gas at standard temperature and pressure, making it much more cost efficient to transport over long distances where pipelines do not exist.

Onshore transportation of natural gas is generally through pipelines, while offshore transportation is in purpose designed cryogenic LNG vessels after the natural gas has been cooled down and liquefied.

In regasification terminals or vessels the liquefied natural gas is returned to its initial, gaseous state, and then fed into transmission and distribution networks. Natural gas' predominant use is for electricity generation and heating.

LNG has become an important source of energy as natural gas is non-toxic, clean-burning and relatively price competitive. Natural gas is widely considered as an important factor in reaching strict emission targets, and according to various market analysts the growth in demand is expected to be strong going forward.

# **LNG VALUE CHAIN**

REGASIFICATION TRANSPORTATION > HARRY! ONSHORE Installation LNG Plant LNGC Terminal Power Plant OFFSHORE Platform/Installation FLNG LNGC **FSRU** Gas - to - wire



# **LNG TRANSPORTATION**

Offshore transportation of liquefied natural gas in LNG vessels is the most flexible, safe and economic way of distributing natural gas from seller to buyer over long distances. With a global LNG fleet, the natural gas market opens up for extensive trade of LNG from exporting countries to importing countries. The use of LNG carriers enables export of natural gas to importers without pipeline connections.

A LNG carrier is a special purpose built vessel designed for transportation of LNG. The first LNG vessels entered operations in the early 1960s. The fleet of vessels above 100,000 cbm has grown steadily ever since, reaching 397 vessels at the end of 2015 according to Clarksons Platou. The LNG shipping market is industrial in its nature, with few publicly traded companies that provide pure exposure to the segment; the largest owners are mostly energy companies or Japanese trading conglomerates.

Given the vast expenditure involved in liquefaction projects, operators and project developers have historically secured tonnage on 15-25 years long term fixed contracts to serve their shipping needs. Parallels to the LNG transportation market can be drawn to the tanker market at the beginning of the 1970s, in that it is currently a market dominated by relatively few companies and utility players, capital intensive infrastructure projects and point to point long term contracts.

The spot market has evolved slowly, but the trend in LNG shipping is towards an increasing share of medium, short and spot contracts. In 2001 spot and medium term cargoes constituted 7.7~% of the total volume, and by the end of 2015 this share had increased to 30 % according to Fearnley LNG.

Over the last decade, the number of trading routes for LNG shipping has multiplied. Until 2006 there were few exporters of LNG and the trade was dominated by a few players, mainly large oil companies. This has changed substantially over the last couple of years, due to the entry of trading houses and power

companies in addition to an increased number of LNG exporting terminals effecting supply side. On the demand side cheaper and more flexible importing/regasification solutions - Floating Storage and Regasification Units (FSRUs), diversification of supply and the competitive price and environmental factors in natural gas has led to an increase in the number of countries importing LNG. In 2015 three new countries were added to the growing list of countries with LNG import capacity, all through deployment of FSRUs.

The trend towards shorter term and spot oriented trading is likely to continue going forward on the back of rapidly increasing production capacity and changing trading routes as well as increased trading of LNG volumes following the commodisation of LNG. Although increasing the spot market in the near- to middle term is, however, expected to remain fairly illiquid compared to other commodity/spot trading shipping markets.

# LNG CARRIER FLEET

Historically the most common LNG vessel design was the Moss design. The design was developed in the 1970s and uses free standing insulated spherical tanks, where the tanks and the vessel are two separate structures. Later the Membrane design has become the most common design. The Membrane design involves insulation built directly into the hull, combined with a membrane covering the inside of the tanks. This design utilises the volume of the vessel in a more optimal manner.

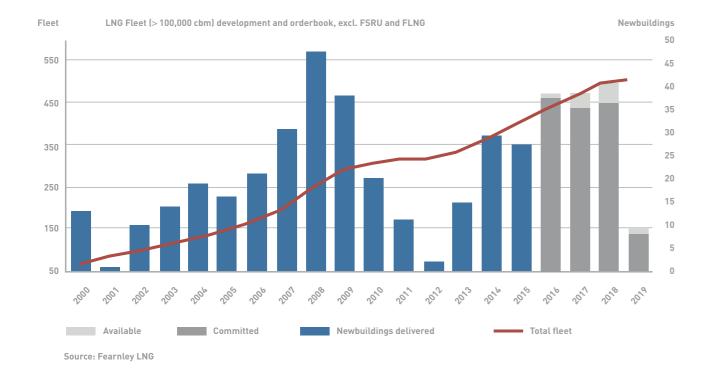
Modern vessels are normally powered by Tri-fuel diesel electric engines (TFDE), whereas vessels built up until 2009 were mainly powered by steam turbines. The TFDE vessels are more fuel efficient, and the modern vessels have considerably lower boil-off rates due to improved containment systems. As a consequence, modern vessels have a substantial economic advantage compared to the older vessels. The latest fuel efficient engine solutions ordered for LNG carrier newbuildings are the MEGI dual fuel two stroke engines, which are even more fuel efficient than the TDFE engines. The first MEGI outfitted vessels will enter the market during 2016.

According to LNG shipbrokers, the LNG fleet counted 97 vessels above 100,000 cbm in 2001, whereas at the end of 2015 the fleet consisted of 397 vessels, of which about 280 membrane vessels. During 2015 27 vessels were delivered corresponding to an increase of  $7\,\%$  year-on-year.

At the beginning of 2016 the orderbook for LNG carriers (excluding FSRU and FLNG) above 100,000 cbm was 131 vessels. of which 12 were available for contract. In 2016 39

for dry-docking every 2.5 years has made it less economical to invest in older tonnage. As a consequence it may be anticipated that scrapping may increase over the next years.

Based on the current liquefaction capacity under construction, the current fleet and orderbook, there is a risk of continued oversupply of vessels in 2016. However, based on new LNG capacity under construction from 2016 and onwards, analysts expect the vessel overcapacity to gradually be absorbed. From



vessels are scheduled for delivery, in 2017 39 vessels and in 2018 41 vessels according to shipbrokers. It is however expected that due to the current weak market rates, deliveries of vessels particularly those which are not committed to contract may be delayed for a period of time.

There are currently only seven yards with registered LNG vessels on order, the largest being Samsung followed by DSME and Hyundai Heavy Industries. The remaining yards are Mitsubishi, Kawasaki, STX and Hudong-Zhonghua. Construction time for an LNG carrier is about two and a half to three years, and thus new orders may not be delivered until late 2018 or early 2019.

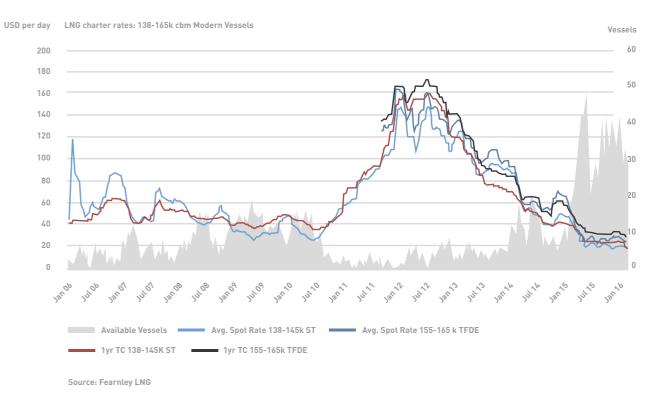
The design life of a modern LNG carrier is 40 years. At the end of 2015 29 vessels were older than 30 years. A weak market combined with lower efficiency of older tonnage and the need

2019 it is expected that the existing orderbook and fleet is most likely not sufficient to cover shipping demand from new liquefaction plants under construction.

# HISTORICAL DAYRATE LEVELS

Spot market rates were reported at about USD 70,000 per day at the beginning of the 2000s, but an influx of new tonnage through the second half of the decade, coupled with lower than anticipated LNG volumes as a result of delayed projects, hit the LNG transportation market hard. Rates bottomed in Q2 2010 at about USD 30,000 per day for modern tonnage, combined with low utilisation.

Rates started to increase in the summer of 2010, and in March 2011 the Fukushima disaster in Japan caused further tightening in the market. Spot rates peaked at about USD 150,000 per day at the end of 2011 for modern tonnage. The market remained



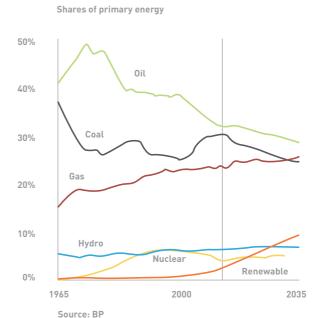
firm for the first half of 2012, thereafter the history has repeated itself as the fleet has substantially increased while the increase in LNG trade has been limited. This resulted in a weak market trend from 2012.

Spot rates at the end of 2015 were reported by brokers at about USD 30,000 per day for TFDE vessels combined with low utilisation. Towards the end of 2015 there were pockets of increased activity, but with little impact on the rates. Due to the inefficiency of the older vessels this market was even more affected. The rates for steam vessels were as low as USD 22,000 per day on very low utilisation. This is the lowest level ever in the LNG shipping history.

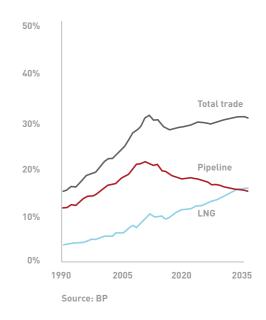
# **LNG DEMAND**

According to BP's Energy Outlook 2016:

- $\bullet$  Natural gas is expected to be the fastest growing fossil fuel over the period 2013 to 2035, with demand increasing 1.8 % a year on average.
- $\bullet$  The majority of the increase in demand comes from emerging economies, with China and India accounting for around 30 % of the increase and the Middle East over 20 %.
- Traded gas supplied via pipelines declines as a share of consumption. LNG trade grows twice as fast as gas consumption, with LNG's share of world demand rising from 10 % in 2014 to 15 % in 2035.









Asia is the main destination for LNG, with its share of global LNG demand at 70 %. The largest importer in 2015 was Japan with 82 MT, representing a decline of about 7 % from 2014. The second largest importer was South-Korea, importing about 33 MT in 2015 compared to 37 MT in 2014. Following South-Korea was China, importing 19.6 MT, a decline of about 1 % compared to 2014. However, China's demand is expected to increase over the next years as the Chinese Government targets natural gas to account for 10 % of the total energy demand in 2020, compared to 4 % in 2010. On the positive side, European imports increased in 2015 to 38.4 MT, an increase of 2 % compared to 2014.

According to analysts in Energy Aspects the European LNG demand is expected to grow by 14 MT in 2016 and 41 MT in 2017. The Asian demand is expected to grow by a modest 7 MT in both 2016 and 2017, largely driven by demand growth in China, India, Pakistan and the Philippines. The growth is expected to be tempered by reductions from South-Korea and Japan.

# **LNG SUPPLY**

The worldwide LNG trade increased to about 247 MT in 2015, representing a 2 % year-on-year increase from 2014. Three new liquefaction plants commenced production in 2015. Donggi

Senoro started production on time at the end of 2nd quarter, while Gladstone and Queensland Curtis started in the third and fourth quarter respectively. The total combined nameplate production from the three facilities is about 14.5 MTPA after a ramp-up period of 3-6 months. The increased production was offset by production disruptions in Yemen and Algeria, producing 6.5 MT less than in 2014.

LNG production capacity is set to grow substantially going forward. According to BP a new liquefaction train will start-up every eight weeks on average for the next five years. In 2016 there are 10 liquefaction trains scheduled for start-up, in addition to the re-start of the Angola LNG plant. Six out of the 10 new LNG trains are Australian. The first one, Australia Pacific, commenced production early 2016. The ramp up of the first train is expected to take 3-6 months, and train two is expected to start during the summer of 2016. Total nameplate production from Australia Pacific is 9 MTPA. The next Australian production facility scheduled for start is Gorgon train 1 in Q2 with train 2 expected about 6 months later. Total nameplate capacity from Gorgon T1+2 is 10.4 MTPA. Sabine Pass, the first U.S. liquefaction plant, is after a slight delay scheduled for start-up at the end of Q1 2016. The nameplate production of the first two trains from Sabine Pass is estimated at 9 MTPA.



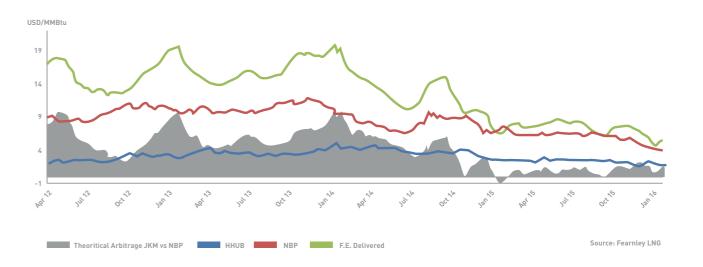
In 2016 the total increased nameplate capacity scheduled for start-up is estimated at about 45 MTPA with an expected 6 month gradual ramp-up.

Currently Qatar, Malaysia and Australia are the largest LNG exporters. However, Australia has about 45 MTPA of new LNG production capacity under construction and is estimated to surpass Qatar as the largest LNG exporter by 2018. The U.S., which is scheduled to commence LNG exports in 2016, is expected to become one of the largest LNG exporters in the world over the coming years. As recently as seven years ago, North America was preparing to import large volumes of LNG. However, the shale gas revolution has transformed the

region from a large LNG importer to what is expected to be one of the largest LNG exporters. There are currently eight U.S. LNG production facilities under construction which have been approved for non-FTA export, with an estimated nameplate production capacity of about 80 MTPA.

# **LNG PRICES**

The Asian spot LNG prices started 2015 at lowest level in more than 10 years. During the year the development tracked the crude oil price downwards and ended the year at about 6.40 USD / MMBTU.



# VESSEL OVERVIEW

Awilco LNG owns two 156,000 cbm 2013 built LNG TFDE vessels WilForce and WilPride, and two 125,000 cbm LNG vessels WilGas and WilEnergy.

WILFORCE	
	· † +

YEAR BUILT	2013	DRAFT	12.521 M
YARD	DSME	MANAGER	ALNG TM
CAPACITY	156,007 M3	FLAG	NIS
DWT	87,750 MT	PROPULSION	TFDE



YEAR BUILT	2013	DRAFT	12.521 M
YARD	DSME	MANAGER	ALNG TM
CAPACITY	156,089 M3	FLAG	NIS
DWT	87,677 MT	PROPULSION	TFDE



YEAR BUILT	1984	DRAFT	11.527 M
YARD	NAGASAKI	MANAGER	ALNG TM
CAPACITY	125,631 M3	FLAG	NIS
DWT	67,552 MT	PROPULSION	STEAM TURBINE



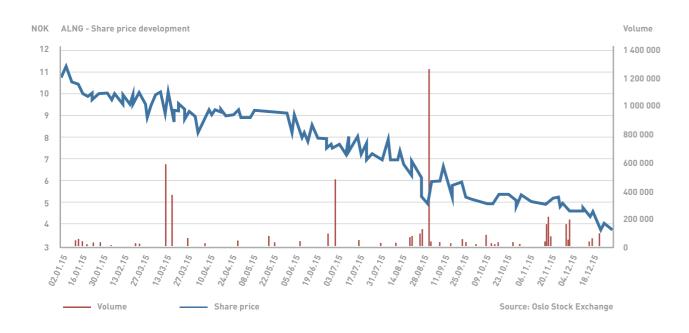
YEAR BUILT	1983	DRAFT	11.527 M
YARD	NAGASAKI	MANAGER	ALNG TM
CAPACITY	125,556 M3	FLAG	MI
DWT	67,055 MT	PROPULSION	STEAM TURBINE





# SHAREHOLDER INFORMATION

Awilco LNG share price development (ticker: ALNG)

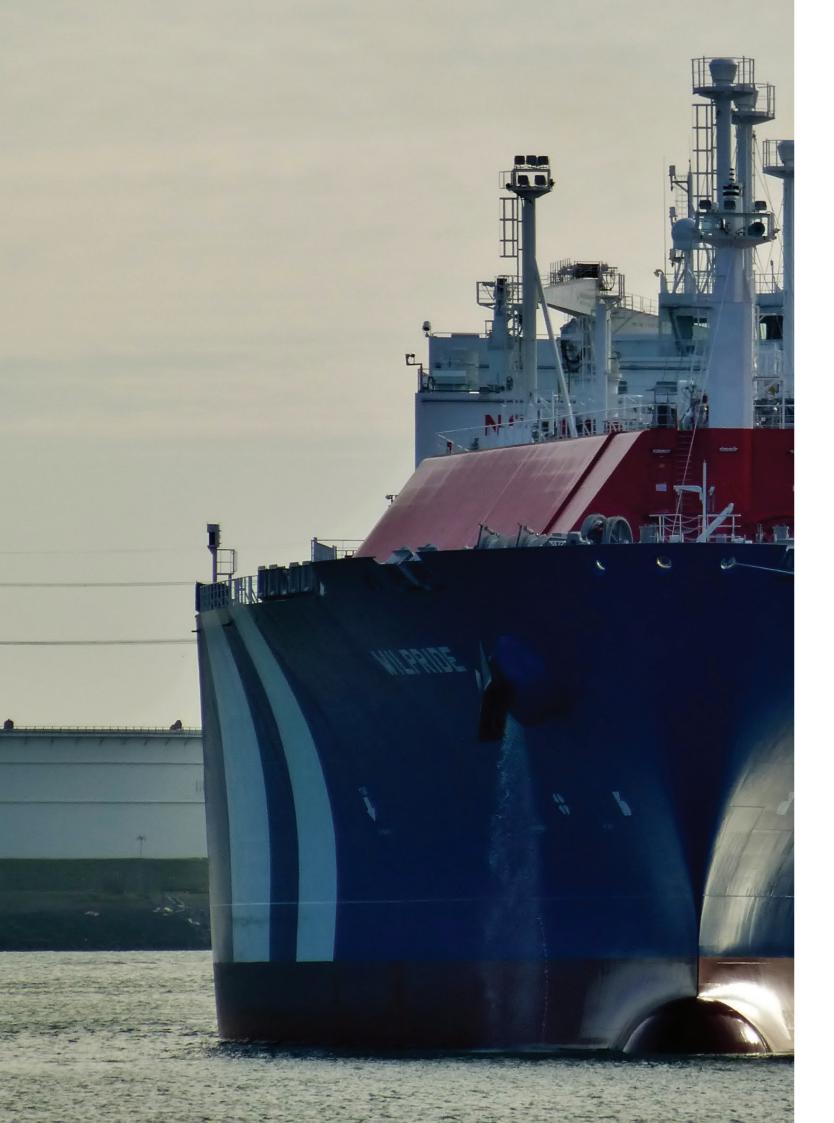


# TOP 20 SHAREHOLDERS (AS PER 31.12.2015)

OWNERSHIP	SHAREHOLDER/ NUMBER OF SHARES	OWNERSHIP	SHAREHOLDER/ NUMBER OF SHARES
35.6%	AWILCO AS 24 114 080	1.1 %	VERDIPAPIRFONDET DNB 770 423
9.4%	EUROCLEAR BANK S.A. 6 390 024	1.0 %	SKANDINAVISKE ENSKIL 644 400
8.7 %	HOME CAPITAL AS 5 887 236	0.9 %	FIDUCIA AS 641 850
7.8 %	ASTRUP FEARNLEY A/S 5 260 050	0.7 %	TVENGE TORSTEIN INGV 480 960
7.6 %	UTHALDEN A/S 5 135 050	0.7 %	VERDIPAPIRFONDET KLP 477 987
<b>5.7</b> %	JP MORGAN CLEARING C 3 850 048	0.6 %	DAMIMA INVEST AS 434 215
3.2%	ODIN ENERGI 2 198 074	0.4 %	PATRONIA AS 291 464
3.0 %	CREDIT SUISSE SECURITIES 2 035 000	0.4%	NORDSTJERNEN AS 268 674
2.2 %	GLAAMENE INDUSTRIER 1 499 405	0.4 %	KOMMUNAL LANDSPENSJO 254 500
1.2 %	MP PENSJON PK 836 800	8.2 %	OTHER SHAREHOLDERS 5 537 205
1.2 %	SKIPS AS TUDOR 781 429		

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# BOARD OF DIRECTORS' REPORT



# **BOARD OF DIRECTORS' REPORT**

2015 was a challenging and disappointing year in terms of rates and utilisation for the LNG shipping market. LNG trade increased by 2 % during 2015, which combined with a 5 % reduction in average transport distance and the delivery of 27 newbuildings led to the weakest market experienced in the last 15 years.

Three new LNG production facilities started production during the 2nd half of 2015, but due to the late start up combined with ramp-up period, the production merely offset the loss of production from Yemen and Algeria.

2016 is scheduled to be the first year with substantial increase in production capacity as more than 45 MTPA of capacity is scheduled for start-up during the year. In the short term it is expected that there will still be tonnage oversupply in the market, but as additional production is coming on stream, the market is expected to gradually improve in 2016.

Earnings for Awilco LNG were not satisfactory in 2015 due to weak rates and low utilisation of the spot trading vessels.

AWILCO LNG ASA ANNUAL REPORT 2015

# **BUSINESS SUMMARY**

The Awilco LNG Group (Awilco LNG, ALNG or the Group) is a pure play LNG transportation provider, owning and operating LNG vessels. The Group owns two TFDE LNG vessels built 2013 and two 2nd generation LNG vessels. The parent company Awilco LNG ASA is listed on Oslo Axess under the ticker ALNG. Awilco LNG's registered business address is in Oslo, Norway.

At the beginning of 2015 the Company owned five vessels, of which one employed on a medium term contract, two in the spot market and two in cold lay-up. The TDFE vessel WilPride traded in the spot market in 2015, achieving an utilisation of 49 % for the full year (88 % in 2014) and a total utilisation of 70 % since delivery in November 2013.

The 2nd generation vessel WilGas started the year trading in the spot market. As the market became more and more challenging the vessel was placed in cold lay-up in August. WilEnergy remained in cold lay-up for the entire year, and WilPower was in cold-lay up until it was sold in July. At the end of 2015, WilForce was employed on contract until late January 2017, WilPride until March 2016 and the two 2nd generation vessels were in cold lay-up. For employment of the vessels, please see the risk section of the Board of Directors' Report.

The technical management of the vessels is performed by the 100 % owned Awilco LNG Technical Management AS (Awilco LNG TM).

# LNG market

The reported spot day-rates for modern vessels started 2015 at USD 70,000 per day and ended the year at about USD 30,000 per day. Average spot rate per day for the year was USD 36,076. The reported spot day-rate for 1st and 2nd generation vessels was USD 25,000 per day at the beginning of the year, but following the delivery of 27 newbuildings and limited new production the charter market for older vessels disappeared half-way into the year.

The LNG trade increased by an estimated 2 % compared to 2014. Estimated trade was 247 MT in 2015, up from 242 MT in 2014. Three new liquefaction plants commenced its production in 2015. Donggi Senoro started production on time at the end of 2nd quarter while Australia's Gladstone and Queensland Curtis started in the third and fourth quarter respectively. The total combined nameplate production from the new production facilities was about 14.5 MTPA. However, due to the ramp-up time and start-up late in the year, the additional production merely offset the loss of production from the shut downs in Yemen and Algeria.

In 2016 there are 10 liquefaction trains scheduled for start-up, as well as the re-start of the Angola liquefaction plant. The total increased nameplate capacity is estimated at about 45 MTPA following an expected 6 month gradual ramp-up.

Despite the weak market for LNG shipping in 2015, newbuilding ordering was at a relative high level in the first half of 2015, but eased off during the second half of the year. In total 20 newbuildings were ordered compared to above 55 in 2014.

At the end of 2015 the orderbook for vessels larger than 100,000 cbm stood at 131 LNG carriers, corresponding to about 32 % of the world-wide fleet. 27 vessels were delivered in 2015 and 39 are scheduled for delivery in 2016, of which only one is reported to be available.

# **CONSOLIDATED FINANCIAL STATEMENTS**

#### Income statement

Freight income for the year amounted to USD 37.4 million (USD 78.5 million). The decrease was due to low rates and reduced utilisation caused by new vessel deliveries, reduced ton-mile as the price arbitrage West to East was limited and limited new LNG production. Fleet utilisation for the Company ended at 61 %, compared to 86 % in 2014 (trading vessels).

Voyage related expenses were USD 4.9 million in 2015 compared to USD 11.2 million in 2014. The lower voyage costs in 2015 was mainly due to vessels in lay-up in 2015 and the positioning, repositioning and cool down of WilGas after scheduled dry-dock in 2014.

Operating expenses for the year were USD 12.7 million compared to USD 21.1 million in 2014, reflecting the sale of WilPower in mid-2015, lay-up of WilEnergy in Q4 2014 and WilGas from August 2015. Lay-up reduces operating expenses to approx. USD 2,000 per day.

Administration expenses were recorded at USD 4.0 million in 2015, a decrease from USD 5.1 million in 2014. The decrease was mainly an effect of the depreciation of NOK vs USD, together with a decrease in the fair value of synthetic employee options.

EBITDA for the year was USD 15.8 million (USD 41.0 million).

Depreciation and amortisation was USD 16.6 million (USD 18.4 million), down year-on-year due to the sale of WilPower in mid-2015.

Impairment losses of USD 11.5 million was recognised in



2015 (nil in 2014), of which MUSD 3.2 was related to the sale of WilPower and MUSD 8.4 was related to impairment losses on WilPride, WilEnergy and WilGas recognised year end 2015. See note 11 in the consolidated financial statements for further details.

Net finance expense was USD 24.0 million (USD 25.2 million), of which USD 24.1 million (USD 25.1 million) was interest charges on the WilForce and WilPride lease obligations.

Loss before tax was USD 36.3 million (USD 2.6 million).

Income tax expense for the year was USD 4 thousands, payable (USD 54 thousands payable).

Loss for the period was USD 36.3 million (USD 2.7 million).

# Earnings per share

Basic and diluted earnings per share for the year were negative with USD 0.54, compared to negative USD 0.04 in 2014.

# Financial position

As at 31 December 2015 the Group's total assets were USD 445.5 million (USD 497.5 million).

The book value of vessels was USD 422.5 million (USD 467.1 million). The decrease reflects ordinary depreciation and

amortisation of USD 16.5 million (USD 18.3 million), the sale of WilPower mid-year 2015 and the impairment loss recognised on WilPride, WilEnergy and WilGas of USD 8.4 million (nil). The impairment charge is based on estimating recoverable amount of the fleet at year end, see note 11 in the consolidated financial statements for further details.

Current assets were USD 22.8 million (USD 30.1 million), of which trade receivables were USD 2.5 million (same in 2014), cash was USD 17.3 million (USD 20.8 million) and other short term assets was USD 1.2 million (USD 4.0 million). USD 3.0 million of the reduction in other short term assets reflects a decrease in prepayments on the WilForce and WilPride monthly lease payments.

Non-current liabilities were USD 273.0 million (USD 285.7 million), of which the WilForce and WilPride lease liabilities were USD 272.8 million (USD 285.6 million).

Current liabilities were USD 16.9 million (USD 19.9 million), of which USD 12.8 million related to the short term portion of the WilForce and WilPride lease liabilities (USD 11.7 million), USD 0.3 million was trade payables (USD 0.5 million) and USD 3.8 million provisions and accruals (USD 7.7 million). USD 2.4 million of provisions and accruals were deferred revenue (USD 5.0 million).

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Total equity at the end of the year was USD 155.6 million (USD 191.8 million), corresponding to a book equity ratio of 35 % (39 %).

# Cash flow statement

In 2015 the Group had a positive cash flow from operating activities of USD 11.8 million (USD 45.7 million). Net cash provided from investing activities was USD 17.5 million (net cash used USD 7.2 million), of which USD 17.8 million was net proceeds from sale of WilPower. In 2014 USD 6.7 million was paid towards the WilGas dry-docking. Net cash used in financing activities amounted to USD 32.8 million (USD 35.9 million), mainly related to payment towards the WilForce and WilPride financial lease obligations. Cash at the end of the year was USD 17.3 million (USD 20.8 million).

#### PARENT COMPANY FINANCIAL STATEMENTS

Operating income for the year amounted to NOK 7.8 million (NOK 10.7 million) and administration expenses NOK 20.5 million (NOK 20.7 million). Impairment of shares in subsidiaries amounted to NOK 80.8 million (NOK 11.4 million).

Net finance income amounted to NOK 20.5 million (NOK 24.1 million).

Loss for the period was NOK 73.3 million (profit for the period of NOK 2.3 million).

The Board of Directors proposes that the net loss of NOK 73.3 million for the Parent Company is covered by retained earnings.

The Board will propose to the General Meeting 3 May 2016 that there will be no dividend distributed for the fiscal year 2015.

# **GOING CONCERN ASSUMPTION**

The consolidated financial statements of the Group, and the parent company financial statements of Awilco LNG ASA, have been prepared on a going concern basis. Pursuant to the Norwegian Accounting Act § 3-3a, the current contract coverage, the Company's overall position at the end of the year and the forecasted cash flow, the Board of Directors confirm that it is correct to prepare the accounts on a going concern assumption. Please see the liquidity risk section below and note 25 in the consolidated financial statements for further information on this matter.

# RISK FACTORS

Market conditions for shipping activities have historically been volatile, and as a consequence the financial results may vary significantly from year to year. The risk factors in the LNG shipping market can be divided into the following main components: market risk, operational risk and financial risk.

# Market risk

Market risk relates to the supply of LNG vessels and the demand for LNG transportation. In the past there have been prolonged periods of oversupply of vessels due to delays in the construction of production capacity, with correspondingly low utilisation and depressed market rates. In the period 2004 to 2010 there was a general excess supply of vessels which had a negative impact on the market rates. During 2015 the growth in the fleet was in excess of the growth in the demand for LNG vessels, which resulted in a suppressed market both in terms of low rates and low utilisation.

In 2016 39 vessels are scheduled for delivery, of which one is not committed to a contract. The yard capacity is fully booked, and therefore the current orderbook for the near future will not increase.

Projecting the supply of LNG involves more uncertainty. Historically new projects have had a tendency to be delayed as liquefactions plants are highly complex construction projects. Actual LNG production may fluctuate from one year to another, as shown in 2012 and 2013, when for the first time in 30 years total production decreased compared to the previous year. Lower LNG production will have an impact on the market rates for LNG vessels, as the oversupply of vessels is likely to reduce rate levels. Furthermore, increasing LNG production does not guarantee a healthy rate level, as the newbuilding fleet may increase by more than the increased demand, as was seen in 2015. In 2015 the LNG production increased by about 2 %, which was more than absorbed by the 7 % growth of the fleet.

The demand for LNG is affected by the importing countries' demand for energy as well as the relative pricing of LNG compared to alternative energy sources. A high relative pricing spread between LNG and other energy sources will reduce the demand for LNG and thereby negatively impact demand for LNG transportation.

Historically a limiting factor has been growth and delays in liquefaction capacity. Over the last years we have seen substantial improvements in timing of some projects, but it may be anticipated that some liquefaction projects could experience delays which will impact demand growth for LNG vessels.

In the past there have been large price spreads between different geographic markets, thereby increasing demand for LNG transportation to execute arbitrage opportunities. In 2015,

the price spread between West and East leveled out and thus the arbitrage opportunities diminished. This led to a decrease in transport distance of about 4 % for the year, which negatively impacted the LNG shipping market. As further LNG production in Australia comes on stream, it is expected that the arbitrage opportunities from West to East will continue to be negatively affected, and thus further reduce ton-mile demand in 2016, although there is a chance that this arbitrage may turn if demand in the East is further reduced. When further production capacity from the U.S. comes online, it is expected that the ton-mile is set for improvement.

In general older LNG carriers are more sensitive to a decrease in tonnage demand, as older vessels are less fuel efficient and have lower LNG transportation capacity.

#### Operational risk

### Employment risk

The Group's ability to obtain charters will depend upon the prevailing market conditions. If the Group is unable to employ one or more of its vessels for a longer period of time, revenue will be substantially reduced.

# Laws and regulations

The Group's operations and vessels are subject to international environmental laws and regulations, which have become more stringent in recent years. Although the Group is doing its outmost to comply, changes in laws and regulations may expose the Group to liability.

# Technical risk

LNG vessels are highly sophisticated and there is a risk that equipment may fail despite the high degree of pre-emptive maintenance done. Even though the Group obtains loss of hire insurance for contracts over a certain length, a technical breakdown will affect the earnings for a period of at least 14 days (deductible).

# Piracy and war

A piracy attack or outbreak of war would affect the trading of the vessels.

# Crew

The world-wide LNG fleet will increase over the coming years, and this will expose the Group to the risk related to attracting qualified officers and seafarers. The Group has and will continue to take steps in order to mitigate this risk.

# Bunker price

The Group is only exposed to bunker price risk when the vessels

are not on charter.

# Financial risk

# Financing risk

The TFDE vessels are both financed through sale-leaseback agreements with Teekay LNG Partners L.P. The lease tenor is 4 years + 1 year option in favour of Awilco LNG for the WilPride, while the WilForce tenor is 5 years + 1 year option. The leasing agreements include purchase obligations at the end of the period. The purchase obligation for WilForce is MUSD 123.5 after 5 years and for WilPride MUSD 130.9 after 4 years. The purchase obligation will be further reduced if the option periods are declared. Lease payments are in USD. At the end of the leasing period there is a refinancing risk. The level of financing that the Company will be able to obtain at the end of the lease agreements depends upon values, market rates for the vessels as well as the contract status. The 2nd generation vessels are financed by equity only.

# Currency risk

The companies in the Group have USD as functional currency. Currency risks therefore arise in connection with transactions in other currencies than USD. The Group is to a certain degree exposed to currency fluctuations as it is exposed to NOK administration expenses. The Group may use financial derivatives to reduce short-term currency risk.

# Liquidity risk

The shipping market is capital intensive. Insufficient liquidity will severely impact the ability to operate. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity at all times to meet its obligations without incurring unacceptable losses or risking damage to the Group's reputation. Based on the liquidity situation at the end of the year, combined with the forecasted cash flow and the ability to either leverage or potentially dispose of one or both of the two currently all-equity financed 2nd generation vessels, the Group is sufficiently funded to cover its obligations for the next twelve months from the date of the statement of financial position. Forecasted cash flow comprise cash flow from firm contracts and expected cash flow from future employment, based on the current and expected market situation. Forecasting the market involves uncertainty as described in the market risk section above.

# Interest rate risk

The Group has currently no other long term debt than fixed rate lease liabilities with a fixed interest element, and therefore has only limited interest rate risk related to bank deposits. If the Group enters into new long term financing facilities, the

Group will evaluate using financial derivatives in order to hedge interest rate exposure

# Counterparty-/credit risk

The Group is exposed to credit risk from its operating activities through trade receivables (freight income) and from its financing activities, including deposits with banks. The Group aims to do business with creditworthy counterparties only. Charter hire is normally received monthly in advance, effectively reducing the potential exposure to credit risk. Bank deposits are only deposited with internationally recognised financial institutions with a high credit rating.

#### **HEALTH. SAFETY AND ENVIRONMENT**

The Group has a lean onshore organisation and has outsourced certain services. At year end 2015 the Group had 8 onshore employees of which one female. Shipping has historically been male dominated, and there is currently no female representation among the management. The Group is aware of this imbalance and is positive to improve this ratio in the future. The Board of Directors of the Company has two female directors, representing 40 % of the Board.

The safety and well-being of Awilco LNG's employees and seafarers has the highest priority. All ships shall be operated and maintained, safe for crew, visitors, cargo and the environment. The Group's quality of operations is supported by experienced, educated and well trained staff onboard and onshore. The Group shall adhere to national and international laws and regulations and constantly promote best practices identified within its own operations and the industry in order to improve the competence of individual crewmembers and vessel safety performance. The Group's senior management is actively engaged in monitoring Awilco LNG's performance, in order to further encourage and promote positive trends, to provide advice and to take corrective action where negative trends are detected.

Awilco LNG aims to ensure a stable and motivating work environment for both onshore and offshore employees, ensuring high retention rates. The Group is proactively seeking to identify requirements and needs for additional training through regular audits, master and management reviews.

Absence due to illness for onshore employees was 2.2 % in 2015 (5.3 % in 2014). No work related injuries were reported during the year for shore-based employees. For seafarers, the LTIF (number of accidents per one million-man hours worked) was NIL during the year (2.0 in 2014).

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Based on the long term goal of environmental excellence, Awilco LNG works towards minimising the environmental impact from its vessels. A zero tolerance for environmental spills has been adopted, together with a zero tolerance for emissions of ozone depleting substances and unauthorised disposal of any type of garbage or waste to the marine environment. Additionally Awilco LNG aims to minimise as far as practically possible the emission of NOx and SOx from diesel combustion engines, boilers, incinerators and emission cargo and fuel oil tanks and systems through evaporation.

For further information please see the Social Responsibility section in the annual report, which covers the requirements under the Norwegian Accounting Act § 3-3c.

# **CORPORATE GOVERNANCE**

Awilco LNG strives to protect and enhance shareholder equity through openness, integrity and equal shareholder treatment, and sound corporate governance is a key element in the basis of the Awilco LNG strategy.

The corporate governance principles of the Company are adopted by the Board of Directors. The principles are based on the Norwegian Code of Practice for Corporate Governance as of 30 October 2014 (the «Code of Practice»). Please see the Corporate Governance section in the annual report, and also the Company's web site www.awilcolng.no.

# STRATEGY

The main strategy for Awilco LNG is to create shareholder value through the provision of a quality, reliable and customer oriented service to the market, in the best manner for its shareholders, employees and business connections.

The management team shall safely, efficiently and effectively deliver LNG transportation services to customers; with a view to securing the most lucrative contracts in conjunction with the highest achievable vessel utilisation.

Awilco LNG shall evaluate growth opportunities in terms of alternative use of the 2nd generation vessels, vessel acquisitions and disposals which best complement the Group's financial and operational aspirations.

# OUTLOOK

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The short term market for LNG shipping is expected to remain challenging for most of 2016. 39 newbuildings are scheduled for delivery in 2016, corresponding to a 9 % growth of the fleet. The scheduled new LNG nameplate production growth capacity is estimated to be about 45 MTPA or approximately 15 % during the same period. However, production capacity is exposed to the risk of delays as well as ramp-up of new production. Thus the forecasted growth in production in 2016 is about 25 MT, corresponding to about 9 % production growth year-on-year. Additionally, the majority of new LNG capacity will come from Australia, which combined with expected minimal arbitrage possibilities, may continue to put pressure on ton-mile in 2016.

Nevertheless, the new production capacity coming on stream is gradually expected to improve the LNG shipping market in 2016. However, the current oversupply of vessels will have to be reduced before utilisation and rates can be expected to improve substantially.

Awilco LNG is pursuing cost reductions to preserve competitiveness through the market cycle, and is continuously evaluating all commercial opportunities.

The long term outlook for LNG remains positive. Going forward natural gas is expected to increase its share in the world's energy mix. According to market analysts natural gas will be the fastest growing fossil fuel the next 20 to 25 years, and the supply of LNG is expected to grow more than twice as fast as the production of natural gas. The current LNG carrier fleet and orderbook is expected to be sufficient to meet the medium term demand for transportation, but not sufficient to meet the long term demand.

Oslo, 6 April 2016

Sigurd F. Thorvildsen Chairman of the Board

Jon-Aksel Torgersen Board member

Amett Maln Justag

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# STATEMENT OF RESPONSIBILITY

We confirm to the best of our knowledge that the consolidated financial statements for 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, and that the financial statements for the parent company for 2015 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and profit/(loss) for the period of Awilco LNG ASA and the Awilco LNG Group as a whole. We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of Awilco LNG ASA and the Awilco LNG Group, together with a description of the principal risks and uncertainties that they face.

Oslo, 6 April 2016

**Sigurd E. Thorvildsen** Chairman of the Board

Henrik Fougner

Jon-Aksel Torgersen

Synne Syrrist
Board member

Amety Maln Justad

Jon Skule Storheill





# **CONSOLIDATED INCOME STATEMENT**

In USD thousands, except per share figures

Profit/(loss) for the period

Other comprehensive income: Other comprehensive income items

Total comprehensive income/(loss) for the period

In USD thousands, except per share figures	Note	2015	2014
Facialité in como	/ 5	27.25/	78 461
Freight income	4,5	37 354 4 873	
Voyage related expenses	6		11 239
Net freight income		32 481	67 222
Operating expenses	7	12 690	21 134
Administration expenses	8	3 961	5 120
Earnings before interest, taxes, depr. and amort. (EBITDA)		15 831	40 968
Depreciation and amortisation	11	16 583	18 376
Impairment of vessels	11	11 548	-
Earnings before interest and taxes		(12 300)	22 592
Finance income	17	211	154
Finance expenses	17	24 183	25 356
Net finance income/(expense)		(23 972)	(25 202)
Profit/(loss) before taxes		(36 272)	(2 610)
Income tax expense	10	[4]	(54)
Profit/(loss) for the period		(36 276)	(2 664)
Earnings per share in USD attributable to ordinary equity holders of Awilco LNG ASA	λ:		
Basic, profit/(loss) for the period	9	(0.54)	(0.04)
Diluted, profit/(loss) for the period	9	(0.54)	(0.04)
Consolidated Statement of Comprehensive Income			

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

In USD thousands

In USD thousands	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Vessels	11	422 506	467 114
Other fixed assets	11	124	29'
Total non-current assets		422 630	467 41
Current assets			
Trade receivables	12	2 460	2 520
Inventory	13	1 911	2 794
Other short term assets	14	1 154	3 961
Cash and cash equivalents	15	17 299	20 819
Total current assets	10	22 823	30 094
Total current assets		22 023	30 07
TOTAL ASSETS		445 454	497 505
EQUITY AND LIABILITIES			
Equity			
Share capital	19	48 420	48 420
Share premium		126 463	126 463
Retained earnings		(19 320)	16 956
Total equity		155 563	191 838
Non-current liabilities			
Pension liabilities	8	215	165
Long-term interest bearing debt	22	272 804	285 556
Total non-current liabilities		273 019	285 72
Current liabilities			
Short-term interest bearing debt	22	12 752	11 699
Trade payables		332	467
Income tax payable	10	4	54
Provisions and accruals	16	3 783	7 725
Total current liabilities		16 872	19 94
TOTAL EQUITY AND LIABILITIES		445 454	497 505

Oslo, 6 April 2016

Sigurd E. Thorvildsen

Chairman of the Board

Board member

Jon-Aksel Torgersen

Ameth Kaln Justal

Annette Malm Justad Board member

Jon Skule Storheill

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(36 276)

(36 276)

(2 664)

(2 664)

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

# For the period ended 31 December 2015

In USD thousands	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2015	48 420	126 463	16 956	191 838
Profit/(loss) for the period	-	-	(36 276)	[36 276]
Other comprehensive income for the period	-	-	-	_
Total comprehensive income	-	-	(36 276)	(36 276)
Balance as at 31 December 2015	48 420	126 463	(19 320)	155 563

# For the period ended 31 December 2014

In USD thousands	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2014	48 420	126 463	19 620	194 502
Profit/(loss) for the period	-	-	(2 664)	[2 664]
Other comprehensive income for the period	-	-	-	
Total comprehensive income	-	-	(2 664)	(2 664)
Balance as at 31 December 2014	48 420	126 463	16 956	191 838

# CONSOLIDATED CASH FLOW STATEMENT

# In USD thousands

	Note	2015	2014
Cash Flows from Operating Activities:			
Profit/(loss) before taxes		[36 272]	(2 610)
Income taxes paid	10	[49]	[9]
Interest and borrowing costs expensed	17	24 146	25 124
Items included in profit/(loss) not affecting cash flows:			
Depreciation and amortisation	11	16 583	18 376
Impairment of vessels	11	11 548	-
(Gain)/Loss on sale of other fixed assets		45	-
Changes in operating assets and liabilities:			
Trade receivables, inventory and other short term assets		(218)	7 004
Trade payables, provisions and accruals		[4 022]	(2 194)
i) Net cash provided by / (used in) operating activities		11 760	45 690
Cash Flows from Investing Activities:			
Investment in vessels	11	(333)	(6 719)
Investment in vessels under construction		-	(505)
Investment in other fixed assets	11	_	(2)
Proceeds from sale of vessels	11	17 764	-
Proceeds from sale of other fixed assets	11	89	_
ii) Net cash provided by / (used in) investing activities		17 521	(7 226)
Cash Flows from Financing Activities:			
Proceeds from borrowings	22	(10 743)	(10 841)
Interest and borrowing costs paid	22	(22 058)	(25 047)
iii) Net cash provided by / (used in) financing activities		(32 801)	(35 889)
in the cash provided by / (used in) maneing activities		(32 301)	(33 007)
Net change in cash and cash equivalents (i+ii+iii)		(3 519)	2 575
Cash and cash equivalents at start of period		20 819	18 244
Cash and cash equivalents at end of period	15	17 299	20 819

# NOTE 1 // CORPORATE INFORMATION

Awilco LNG ASA (the Company or Parent Company) is a public limited liability company incorporated and domiciled in Norway. Its registered office is Beddingen 8, 0250 Oslo, Norway. The Company was incorporated 2 February 2011, and is listed on Oslo Axess with the ticker ALNG.

The consolidated financial statements of the Company comprise the Company and its subsidiaries, together referred to as the Group or Awilco LNG.

The principal activity of the Group is the investment in and operation of LNG transportation vessels. The Group owns and operates a fleet of two 2013 built TFDE membrane LNG vessels and two second generation Moss type LNG carriers.

The consolidated financial statements for the period ended 31 December 2015 were authorised for issue by the Board of Directors on 6 April 2016 and will be presented for approval at the Annual General Meeting on 3 May 2016.

# NOTE 2 // SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

# **BASIS OF PREPARATION**

The consolidated financial statements of Awilco LNG have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional applicable disclosure requirements of the Norwegian accounting act. The consolidated financial statements have been prepared on a historical cost basis, with the exception of liabilities for cash-settled share-based payments which are measured at fair value, pensions which are measured according to IAS 19, certain financial instruments measured according to amortised cost, and receivables and payables denominated in foreign exchange which are translated at period-end exchange rates.

The consolidated financial statements are presented in US Dollars (USD) rounded off to the nearest thousands, except as otherwise indicated. The consolidated financial statements have been prepared based on a going concern assumption. Please see the Board of Directors' report and note 25 for further information on this matter.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### **BASIS OF CONSOLIDATION**

The consolidated financial statements include Awilco LNG ASA and its subsidiaries as of 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany transactions and balances are eliminated in the consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control over the subsidiaries, and continue to be consolidated until the date that such control ceases.

# REVENUE

Revenue is recognised to the extent that it is probable that a transaction will generate future economic benefits that will accrue to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Revenues include minimum operating lease payments under time charters and fees for positioning and repositioning of vessels, which are presented as Freight Income net of offhire deductions. Revenue from time charter parties classified as operating leases is recognised in straight line over the term of the charter as services are provided based on number of days before and after the reporting period. Where the repositioning fees depend upon final redelivery location, they are recognised at the end of the charter when the revenue becomes fixed and determinable.

# LEASING

The determination of whether an arrangement contains a lease element is based on the substance of the arrangement. Leases are classified as finance leases if the terms of the lease agreement transfer substantially all the risks and benefits incidental to ownership of the leased item. All other leases are classified as operational leases.

# The Group as lessor

Lease payments received under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease revenue over the term of the lease. Contingent rent is recognised as revenue in the period in which they are earned.

# The Group as lessee

Operational lease expenses are recognised as an expense in the income statement on a straight line basis over the lease term.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of future minimum lease payments. Initial direct costs are included in the leased asset's cost price. Monthly lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability as according to the effective interest method. Finance charges are recognised as finance expenses in the income statement. Assets under financial leases are separated into components, which are depreciated over the useful life of the component.

# Sale-leaseback arrangements

No gain or loss is recognised in the income statement related to sale-leaseback arrangements where the vessel is sold and subsequently leased back on a financial lease with repurchase obligations to the Group.

# **FOREIGN CURRENCY**

The consolidated financial statements are presented in USD, which is also the functional currency of all entities in the Group. Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable at the reporting date. Realised and unrealised foreign currency gains or losses on monetary items are presented as finance income or finance expense. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates applicable at the dates of the initial transactions

# CLASSIFICATION OF ITEMS IN THE STATEMENT OF FINANCIAL POSITION

Current assets and current liabilities include items that fall due for payment within one year after the reporting date. The short term part of long term debt is classified as short term debt.

# VESSELS, VESSELS UNDER CONSTRUCTION AND OTHER FIXED ASSETS

Tangible non-current assets such as vessels, vessels under construction and other fixed assets are carried at historical cost less accumulated depreciation and impairment losses.

Costs of acquired vessels include expenditures that are directly attributable to the acquisition of the vessels. Cost of vessels under construction include all directly attributable costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Examples of such costs include supervision costs, site team costs, yard installments, technical costs and borrowing costs. Borrowing costs are determined by applying an interest rate to the average amount of accumulated expenditures during the construction period, limited to the interest expense incurred during the reporting period. The interest rate used is the weighted average cost of borrowings in the Group.

Costs of vessels under construction are capitalised, classified as vessels under construction and presented as a tangible asset. The capitalised costs are reclassified from vessels under construction to vessels when the asset is available for its intended use

In accordance with IAS 16 each component of the vessels with a cost that is significant in relation to the total cost of the item is separately identified and depreciated. Components with similar useful lives will be grouped into a single component. Drydocking is identified as a separate component of cost of vessels and depreciated separately. Depreciable amount of an asset is calculated as cost less residual value and impairment charges. Residual value is based on estimated salvage value of the vessels. Depreciation is calculated on a straight-line basis over the useful life of the assets, and depreciation is commenced when the asset is available for its intended use. Expected useful lives and residual values are reviewed yearly. The following estimated useful lives are applied:

Vessels 10 - 40 years
Vessel dry-docking 2.5 - 5 years
Other fixed assets 3 - 5 years

Costs related to major inspections/classifications (dry-docking) are recognised in the carrying amount of the vessels if certain recognition criteria are satisfied. The recognition is made as the dry-docking is being performed, and depreciation is recognised from completion until estimated time to the next dry-docking. Any remaining carrying amount of the cost of the previous dry-docking is de-recognised upon initiation of the next dry-docking. The remaining costs that do not meet the recognition criteria are expensed as repairs and maintenance. When vessels are acquired remaining dry-docking is identified and depreciated as a separate component, based on estimated time to the next dry-docking.

Ordinary repairs and maintenance expenses are recognised in the income statement as incurred. Upgrades and material replacement parts and equipment are capitalised as costs of vessels and depreciated together with the respective component. Replaced parts and equipment are derecognised and presented as impairment losses in the income statement. If the carrying amount of the replaced part is not identifiable, cost of the replacement part less accumulated depreciation is used as an estimate.

#### **IMPAIRMENT**

Vessels, vessels under construction and other fixed assets are assessed for impairment indicators each reporting period. If impairment indicators are identified the recoverable amount is estimated, and if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount an impairment loss is recognised. Each vessel is assessed as a separate cash generating unit (CGU) by Awilco LNG.

The recoverable amount is the higher of an asset's fair value less cost to sell (net selling price) and value in use. The fair value is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount; the reversal is limited up until the carrying amount net of accumulated depreciation if no impairment loss had been recognised in prior periods. Such reversals are recognised in the income statement.

# **NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale rather than continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell, and presented separately as assets held for sale and liabilities held for sale in the statement of financial position.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan to sell will be withdrawn. In addition, the management is committed to the plan, and it is expected that the sale will be

completed within a year. Once classified as held for sale assets are not depreciated or amortised.

#### INVENTORY

Inventories consist of bunkers on board the vessels. Inventories are measured at the lower of cost and net realisable value. Cost is determined in accordance with the first-in-first-out principle (FIFO), and expenses related to inventory are presented as voyage related expenses in the income statement.

# **PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised through profit and loss net of any reimbursement

# **FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, using assumptions that market participants would use when pricing the asset or liability. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# SHARE-BASED PAYMENTS

For cash-settled share-based payments a provision is recorded

for the rights granted reflecting the vested portion of the fair value of the rights at the reporting date. The provision is accrued over the period the beneficiaries are expected to perform the related service (vesting period). The cash-settled share-based payments are remeasured to fair value at each reporting date until the award is settled. Any changes in the fair value of the provision are recognised as administration expense in the income statement. The amount of unrecognised compensation expense related to non-vested share-based payment arrangements granted in the cash-settled plans is dependent on the final intrinsic value of the awards. Social security tax liability is recognised based on the intrinsic value of the cash-settled share-based payments

#### **PENSIONS**

The Group has implemented a defined contribution plan for its onshore employees. The plan complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenestepensjon"). Contributions on salary up until 12G are funded in a life insurance company, whereas contributions on salary over 12G are funded by the Group. G refers to the Norwegian National Insurance basic amount.

Contributions to the funded plan are recognised as an employee benefit expense in the income statement when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no further payment obligations once the contributions have been paid.

The liability arising from the plan funded by the Group is classified as a non-current liability in the statement of financial position. Changes in the liability are recognised as employee benefit expenses in the income statement in the periods during which services are rendered by employees. The liability becomes payable to the employee upon termination, voluntary or involuntary, of the employment.

# **TAXES**

The income tax expense consists of current income tax and changes in deferred tax.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax

bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. Deferred income tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group.

Deferred income tax assets and liabilities is determined using tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax liabilities and deferred tax assets are recognised at nominal values and classified as non-current liabilities and non-current assets in the statement of financial position. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Current income tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

For Group companies subject to tonnage tax regimes, the tonnage tax is recognised as an operating expense.

# **FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised when the Group becomes part to the contractual obligations of the instrument. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legal right to offset the amounts and intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Cash and cash equivalents

Cash represents cash on hand and deposits with banks that are repayable on demand. Cash includes restricted employee taxes withheld. Cash equivalents represent short term, highly-liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less.

#### Trade and other receivables

Non-derivative financial assets such as trade receivables and other short term receivables are classified in the loans and receivables category. Such financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

#### Impairment of financial assets

On each reporting date objective evidence that a financial asset or a group of financial assets is impaired is assessed. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

# Trade payables and other current liabilities

Non-derivative financial liabilities such as trade payables and other current liabilities are classified in the other financial liabilities category. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition the financial liabilities are measured at amortised cost using the effective interest method.

# Interest-bearing debt

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

# Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Own equity instruments that are acquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is

recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Voting rights relating to treasury shares are nullified and no dividends are allocated to them.

# **DIVIDENDS**

Dividend payments are recognised as a liability in the Group's financial statements from the date when the dividend is approved by the General Meeting.

# **EARNINGS PER SHARE**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

## **CASH FLOW STATEMENT**

The cash flow statement is presented using the indirect method.

# **SEGMENT INFORMATION**

The Group's current business is limited to operating LNG transportation vessels. The potential market for the vessels is and will be the international global LNG transportation market, and the business will be exposed to the same risks and returns wherever the vessels are employed. The Group's internal reporting does not distinguish between different segments, and as the vessels are managed as one operating segment Awilco LNG has only one reportable segment.

# NOTE 3 // SIGNIFICANT ACCOUNTING **JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments concerning the carrying values of assets and liabilities that are not readily apparent from other sources. This presents

a substantial risk that actual conditions will vary from the estimates. The key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING **POLICIES**

In general management has to apply judgement in the process of applying the Group's accounting policies, in addition to items involving estimates described below, in the process of preparing the financial statements.

#### Sale-leaseback agreements WilForce and WilPride. Judgement

has been applied regarding the sale-leaseback arrangements of the vessels WilForce and WilPride completed in 2013, based on the substance of the transaction and by applying criteria in IAS 17, IFRIC 4 and SIC-27. Based on an overall assessment of the agreements, for instance regarding the right to sell the vessels or pledge the vessels as collateral, Management has assessed that the agreements represent finance lease agreements. If Management had concluded differently the overall effect on the financial statements would not have been material.

# **ESTIMATES AND ASSUMPTIONS**

**Depreciation of vessels.** Depreciation is based on

Management's estimates of the vessels' components, useful lives of the components and the vessels' residual values less costs associated with scrapping at the end of the vessels' useful life. Estimates may change due to changes in scrap value, technological development, competition and environmental and legal requirements. Management reviews the future useful lives of each significant component and the residual values of the vessels annually, taking into consideration the above mentioned factors. Scrap values are estimated based on forward prices of steel and aluminium. Any changes in estimated useful lives and/or residual values impact the depreciation of the vessels prospectively. As at 31 December 2015, the vessels had a carrying value of USD 422.5 million, and a total residual value was estimated at USD 52.4 million.

Impairment of vessels. Management assesses whether there are any indicators of impairment at each reporting date. The vessels are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The recoverable amount is the higher of an asset's fair value less cost to sell (net selling price) and value in use. Fair value is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal, and is based on

completed transactions of comparable assets in the market. Estimation of fair value is subject to an active transaction

Value in use calculations involve a high degree of estimation and a number of critical assumptions such as time charter rates, utilisation, operational expenses, dry-dockings, useful life, scrap values and discount rates. The key assumptions used in the impairment assessment are disclosed in note 11, together with sensitivity tables showing the effect on recoverable amount from changes in key assumptions.

The impairment assessments demand a high degree of estimation. Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts, and a prolonged weak market may result in future impairment losses.

As at 31 December 2015, the vessels had a carrying value of USD 422.5 million after impairment losses year end 2015 of USD 8.4 million. Please see note 11 for further information on impairment of vessels.

# NOTE 4 // FREIGHT INCOME

Freight income	2015	2014
WilForce	28 918	27 855
WilPride	7 646	20 628
WilGas	791	21 029
WilPower	-	-
WilEnergy	-	8 950
Total freight income	37 354	78 461

Freight income consists of revenues from time charter contracts, and includes timecharter hire, ballast bonuses and bunker compensation. MUSD 0.2 of freight income relates to bunkers compensation received from charterers' on single voyages, which is presented gross in the income statement (MUSD 1.2 in 2014). The vessels are owned by single purpose entities which are owned 100 % by the Company. The following specifies the contractual freight income assessed as operational lease agreements to be received from 1 January 2016 based on firm charter contracts:

Contracted future freight income	< 6 mon.	6 mon 1 yr	> 1 yr	Total
WilForce	14 378	14 536	1 817	30 731
WilPride	986	-	-	986
WilGas	-	-	-	-
WilEnergy	-	-	-	-
Total contracted future freight income	15 364	14 536	1 817	31 717

# **NOTE 5 // SEGMENT INFORMATION**

# Operating segments

The Group currently owns and operates four LNG vessels. For internal reporting and management purposes the Group's business is organised into one reporting segment, LNG transportation. Performance is not evaluated by geographical region. Revenue from the Group's country of domicile was MUSD 2.3 in 2015 (nil in 2014).

# Information about major customers

In 2015 the Group had two major customers contributing with more than 10 % of the Group's revenues at 10 and 77 % respectively, compared to three in 2014 contributing between 11 and 39 %.

# **NOTE 6 // VOYAGE RELATED EXPENSES**

Voyage related expenses	2015	2014
Bunker consumption	4 079	9 553
Commission	425	737
Other voyage expenses	369	950
Total voyage related expenses	4 873	11 239

Bunker consumption relates to periods where the vessels have been idle or repositioning, and for single voyage charters where bunker consumption has been reimbursed by the charterers (see note 4). When the vessels are on time charter contracts bunker consumption is for the charterer's expense. Commissions paid to related parties are disclosed in note 21.

# **NOTE 7 // OPERATING EXPENSES**

Operating expenses	2015	2014
Crew expenses	7 603	13 150
Other operating expenses	3 862	6 203
Insurance expenses	1 187	1 707
Tonnage tax	39	74
Total operating expenses	12 690	21 134

In 2015 the total number of vessel trading days were 937 (1 445 in 2014), in addition to 735 lay-up days (380 in 2014).

Number of seafarers	2015	2014
Seafarers year end	76	128

# **NOTE 8 // ADMINISTRATION EXPENSES**

Administration expenses	2015	2014
Salaries and other remuneration	1 204	1 623
Social security cost	269	452
Pension	151	198
Other employee related expenses	29	43
Total employee related expenses	1 654	2 316
Management fees	1 199	1 470
Consultant, legal and auditor's fees	231	321
Other administrative expenses	877	1 013
Total administration expenses	3 961	5 120

Information regarding remuneration to key management, management fees to related parties, fees to the Board of Directors and auditor's fees is provided in note 21.

Number of onshore employees	2015	2014
Onshore employees year end	8	9
Average number of onshore work years	8.8	10.5

# Pensions

The Group has a defined contribution plan for onshore employees which complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenestepensjon"). The pension plan is a defined contribution plan whereby salary up until 12G is funded in a life insurance company. Defined contributions regarding salary over 12G is funded by the Group. As at 31 December 2015 the pension liability for the Group was KUSD 215 (31 December 2014 KUSD 165).

# **NOTE 8 // ADMINISTRATION EXPENSES - CONTINUED**

# Synthetic option programme

At the Company's General Meeting held 22 August 2011 a synthetic option program for the employees of the Company was adopted. The program is limited to 2 % of the total amount of outstanding shares in the Company, amounting to 1 355 777 shares. The synthetic options are cash settled, and vest three years after grant date. Vesting is contingent upon employment on the vesting date. The option programme was implemented in December 2011, and further options were awarded in April 2012, August 2012 and August 2013. All options have been awarded as of August 2013. An amendment of the exercise period was made during 2013, whereby all vested options have to be declared within two years from the vesting date.

Awards	Aug 2013	Aug 2012	April 2012	Dec 2011
Date of grant	26.08.13	22.08.12	01.04.12	04.12.11
Options granted	394 712	359 713	143 427	457 925
Vesting date	26.08.16	22.08.15	22.08.14	22.08.14
Expiry date	27.08.18	23.08.17	23.08.16	23.08.16
Exercise price (NOK)	16.00	20.20 / 24.00	20.20	20.20
Weighted exercise price (NOK)	16.00	20.62	20.20	20.20
Outstanding as of year end			2015	2014
Range of exercise price (NOK)			16.00 - 24.00	16.00 - 24.00
Weighted exercise price (NOK)			19.14	19.14
Number of options			1 335 777	1 335 777
Weighted average remaning contractual life (years	)		1.48	2.48

Fair value of the synthetic share options is calculated using the Black & Scholes option pricing model. Expected volatility is based on historical volatilities of a peer entity. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank. The weighted average inputs to Black & Scholes model and fair values on the reporting dates are listed below:

Key assumptions	2015	2014
Share price (NOK)	3.90	10.00
Expected life (years)	1.48	2.48
Volatility	60 %	60 %
Risk free interest rate	0.59 - 0.73 %	0.87 - 0.92 %
Weighted fair value per option (NOK)	0.08	3.05
Option liability and expense	2015	2014
Carrying value liability	10	225
Option expense	(215)	(572)
Intrinsic value of vested options	-	-

# **NOTE 9 // EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive ordinary shares to ordinary shares. The Company did not have any potentially dilutive ordinary shares as per 31 December 2015 or 31 December 2014.

Earnings per share	2015	2014
Profit/(loss) for year attributable to ordinary equity holders (KUSD)	(36 276)	(2 664)
Weighted average number of shares outstanding, basic and diluted	67 788 874	67 788 874
Basic/diluted earnings per share (USD)	(0.54)	(0.04)

# **NOTE 10 // INCOME TAXES**

# Tax regimes

The Company's subsidiaries in which the vessels are held are subject to Norwegian tonnage tax (NTT). Companies subject to NTT are exempt from ordinary tax on income derived from operations in international waters. The subsidiaries subject to NTT are taxed on a notional basis based on the net tonnage of the companies' vessels. Income and expenses not derived from the operation of vessels in international waters, such as finance income and expenses, are taxed according to ordinary corporate tax in Norway based on the relative composition of financial assets to total assets of the subsidiaries' balance sheets.

The Company and the remaining subsidiaries Awilco LNG Technical Management AS, Awilco LNG 2 AS, Awilco LNG 6 AS and Awilco LNG 7 AS are subject to ordinary corporation tax in Norway.

Income tax expense	2015	2014
Current income tax	4	54
Changes in deferred tax	-	-
Total income tax expense / (income)	4	54
Specification of basis for deferred tax	31.12.15	31.12.14
Other fixed assets	(23)	(51)
Provisions and accruals	10	225
Gain/loss account	3 761	-
Pension liabilities	215	165
Currency effects on long term debt	4 833	2 621
Tax loss carry forward	4 980	3 868
Basis for deferred tax asset / (liability)	13 776	6 828
Not recognised deferred tax assets (basis)	(13 776)	[6 828]
Basis for deferred tax asset / (liability)		_
Tax rate*	25%	27 %
Deferred tax asset / (liability)	-	

<sup>\*</sup> As of 1 January 2016 the tax rate in Norway was reduced from 27 % to 25 %.

# **NOTE 10 // INCOME TAXES - CONTINUED**

Recognition of deferred income tax assets is subject to strict requirements in respect of the ability to substantiate that sufficient taxable profit will be available against which the unutilised tax losses can be used. Based on these requirements and an assessment by the Group, deferred tax assets arising from tax loss carry forward has not been recognised. Utilisation of the tax loss carry forward is not limited in time.

Reconciliation of effective tax rate	2015	2014
Profit/(loss) before taxes	[36 272]	[2 610]
Tax based on ordinary tax rate	(9 793)	(705)
Effects from:		
Loss subject to tonnage tax	17 769	16 349
Permanent differences	(2 186)	8
Not recognised deferred tax asset	1 384	254
Currency effects	[7 244]	(15 852)
Effect of change in tax rate	75	-
Prior year correction	-	-
Total income tax expense / (income)	4	54
Income tax payable	2015	2014
Current tax payable recognised in income statement	4	54
Current tax payable recognised directly in equity	-	-
Total income tax payable	4	54

# NOTE 11 // VESSELS AND OTHER FIXED ASSETS

Vessels Cost at beginning of period	2015	2014
	/07.000	
	497 822	495 546
+Capitalised dry-docking	-	6 654
+Capitalised upgrades, spare parts and replacements	333	65
-Disposals	(23 415)	[4 443]
Cost as of 31 December	474 739	497 822
Accumulated depreciation and impairment at beginning of period	30 707	16 842
-Depreciation	16 545	18 309
-Disposals	(3 378)	[4 443]
-Impairment	8 359	-
Accumulated depreciation and impairment as of 31 December	52 233	30 707
Carrying amount as of 31 December	422 506	467 114
Estimated useful lifes		
Vessel main components	20-40 years	20-40 years
Dry-dock	2.5-5 years	2.5-5 years
Multi period spares	10 years	10 years
Estimated remaining useful life	1-38 years	1-40 years
Depreciation method	Straight line	Straight line

The book value of vessels in layup was MUSD 39.1 as of 31 December 2015 (MUSD 41.5 as of 31 December 2014).

# NOTE 11 // VESSELS AND OTHER FIXED ASSETS CONT.

Disposal of WilPower: The 1983-built LNG carrier WilPower was sold in June 2015 and delivered to its new owners in July 2015. A loss of MUSD 3.2 was recognised upon the sale of the vessel.

Dry-docking: WilGas completed scheduled dry-docking in 2014 at a total cost of MUSD 7.1, of which MUSD 0.4 was capitalised in 2013. Dry-docking costs are depreciated over the period until next expected dry-docking, usually 2.5 to 5 years.

Depreciation: Depreciable amount is calculated as cost less residual value. Residual values are calculated based on the vessels' lightweight tonnage and an estimated scrap rate per ton, less related scrapping costs. Estimated residual values are in the range of MUSD 12 to MUSD 15 per vessel.

Vessels pledged as collateral: The vessels WilForce and WilPride are pledged by the lessor as security for lessor's financing. Awilco LNG has quiet enjoyment agreements covering both the bareboat agreements and the repurchase agreements regarding both vessels.

Impairment: In 2015 an impairment loss of MUSD 11.5 was recognised (nil in 2014), of which MUSD 3.2 was related to the sale of WilPower and MUSD 8.4 was impairment losses recognised year end 2015. Each vessel is regarded as a separate cash generating unit. The Group considers market charter rates and the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2015, the market capitalisation of the Group was below the book value of its equity, and combined with the weak shipping market in 2015 and early 2016 this indicated a potential impairment of vessels. Year end 2015 recoverable amount of the vessels has been estimated based on a calculation of value in use of the two TFDE vessels and fair value less costs to sell of the two second generation vessels. In 2014 the impairment test was based on fair value less costs to sell of the vessels.

Based on the impairment assessment year end 2015, a MUSD 5.0 impairment loss has been recognised on the WilPride, a MUSD 2.1 loss has been charged towards WilEnergy and a MUSD 1.3 loss has been recognised on the WilGas. Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts, and a prolonged weak market may result in future impairment losses

Fair value less costs to sell: The fair value of the second generation vessels is based on completed sale and purchase transactions in the market of comparable vessels, coupled with valuations put on the vessels in infrastructure projects, weighted according to assumed probabilities of either outcome and perceived execution risk of the latter. Costs to sell are estimated based on incurred costs during the sale of WilPower in 2015. The estimated fair values are sensitive to changes in the probability of executing a infrastructure project, and the general price level of second generation LNG vessels.

Value in use: The value in use calculations are based on a discounted cash flow model. The cash flows include contracted cash in-flows of time charter revenue from firm charter parties, and best estimates of non-contracted revenue for the remaining useful lives of each vessel adjusted for estimated utilisation. Cash outflows of estimated operating expenses, commissions and dry-dockings are deducted. Additionally a residual value from scrapping at the end of the asset life is estimated and included in the cash inflows, based on forward prices of steel less estimated costs of scrapping. Estimated non-contracted revenue and utilisation is benchmarked against market analysts' forecasts and historical averages. A 1.8 % annual growth factor is added to the cash flows from 2019, reflecting estimated inflation.

# NOTE 11 // VESSELS AND OTHER FIXED ASSETS CONT.

The cash flows are discounted using a weighted average cost of capital (WACC) applicable to the asset, estimated at 7.86 % following the applicable Norwegian tonnage tax regime. The following key assumptions are made in estimating the WACC:

- Cost of equity is estimated using the capital asset pricing model (CAPM), and is based on a peer group equity beta adjusted for peer specific leverage, and leveraged according to Awilco LNG's target long term capital structure, which is in line with the industry. The U.S. 10 year treasury yield is estimated as the risk free rate and added to the equity risk premium.
- Cost of debt is based on adding the U.S. 10 year swap rate to an estimated debt margin corresponding to the cost of long term funding given the current market conditions, industry outlook and specific credit risk.

The most critical assumptions affecting the estimated value in use is 1) utilisation 2) non-contracted time charter rates and 3) WACC. The headroom on the WilForce is approx. 10 % above the vessel's book value. There is no headroom on the WilPride following the impairment charge of MUSD 5.0 year end 2015. Minor changes in the assumptions used in the value in use calculations may cause further impairment losses, as shown in the following table to illustrate the sensitivities, which relates to both TFDEs:

	Effec	cts on value in use
1 %-point change in utilisation		MUSD 3.6
1 % change in non-contracted time-charter rates		MUSD 3.0
10 bps change in WACC		MUSD 2.7
Other fixed assets	2015	2014
Cost at beginning of period	461	461
+Acquisition	-	-
-Disposals	[192]	-
Cost as of 31 December	271	461
Accumulated depreciation at beginning of period	166	99
-Depreciation	38	67
-Disposals	(57)	-
Accumulated depreciation as of 31 December	147	166
Carrying amount as of 31 December	124	297
Estimated useful life	3-5 years	3-5 years
Depreciation method	Straight line	Straight line
·	J	5

Other fixed assets consists of fixtures, IT equipment and company cars.

# **NOTE 12 // TRADE RECEIVABLES**

Trade receivables	31.12.15	31.12.14
Trade receivables	2 460	2 520
Allowance for doubtful debts	-	-
Trade receivables carrying value	2 460	2 520

According to contract terms freight income is paid in advance, and thus the Group has limited amounts of trade receivables. No impairment has been required on trade receivables in 2015 or 2014. See note 20 regarding management of credit risk.

# Ageing analysis trade receivables

Neither past			Past due but not			
	Total	due / impaired	∢30 days	30-60 days	61-90 days	> 90 days
31.12.15	2 460	2 460	-	-	-	-
31.12.14	2 520	2 520	-	-	-	-

# **NOTE 13 // INVENTORY**

Inventory	31.12.15	31.12.14
Bunkers	1 911	2 794
Total inventory	1 911	2 794

# **NOTE 14 // OTHER SHORT TERM ASSETS**

Other short term assets	31.12.15	31.12.14
Prepaid expenses	172	288
Prepaid lease liability	-	3 044
VAT-receivable	45	81
Accrued revenue	824	457
Other short term receivables	112	89
Total other short term assets	1 154	3 960

# NOTE 15 // CASH AND CASH EQUIVALENTS

		31.	12.2015	31.1	2.2014
Currency	Code	FX rate	Carrying value	FX rate	Carrying value
US dollars	USD	1	15 177	1	20 391
Norwegian kroner	NOK	8.8090	2 122	7.4332	428
Total cash and cash equivalents			17 299		20 819

As of 31 December 2015 KUSD 95 is restricted cash related to employee withholding tax (31 Dec 2014 KUSD 172), and KUSD 75 is restricted cash related to requirements from operating the vessels (31 Dec 2014 KUSD 75).

# NOTE 16 // PROVISIONS AND ACCRUALS

Provisions and accruals	31.12.15	31.12.14
Accrued expenses, invoice not received	1 027	1 716
Deferred revenue	2 449	5 047
Salary related provisions, incl. synthetic options	307	954
Other accruals and provisions	-	8
Total provisions and accruals	3 783	7 725

Deferred revenue relates to time charter hire for January invoiced in December.

# **NOTE 17 // FINANCE INCOME AND EXPENSES**

Finance income	2015	2014
Interest income	16	15
Currency gains	193	137
Other finance income	2	1
Total finance income	211	154
Finance expenses	2015	2014
Interest expenses finance lease liabilities	24 144	25 078
Interest and fees overdraft facility	-	46
Currency losses	13	173
Other finance expenses	26	58
Total finance expenses	24 183	25 356

For further information on finance lease liabilities please see note 22.

# **NOTE 18 // FINANCIAL INSTRUMENTS**

# Classes of financial instruments and fair values

Leans and receivables at amorticed sest

Loans and receivables at amortised cost	Carrying amount		Fair value	
	31.12.15	31.12.14	31.12.15	31.12.14
Trade receivables	2 460	2 520	2 460	2 520
Other short term assets	981	627	981	627
Cash and cash equivalents	17 299	20 819	17 299	20 819
Total	20 740	23 966	20 740	23 966

# Other financial liabilities at amortised cost

	Ca	Carrying amount		Fair value	
	31.12.15	31.12.14	31.12.15	31.12.14	
Finance lease liabilities	285 556	297 256	285 556	297 256	
Trade payables	332	467	332	467	
Total	285 888	297 723	285 888	297 723	

# NOTE 18 // FINANCIAL INSTRUMENTS - CONTINUED

# Fair value of financial instruments

Fair value of trade receivables, other short term assets, cash and cash equivalents and trade payables approximate their carrying amounts due to the short-term maturities of these instruments.

The fair value of finance lease liabilities is estimated by discounting future cash flows using rates for debt on similar terms, credit risk and remaining maturities. The fair value of the finance lease liabilities approximates the carrying amounts as there have been no significant changes in the market rates for similar debt financing between the date of securing the debt financing and the reporting date.

# **NOTE 19 // SHARE CAPITAL AND SHAREHOLDERS**

Share capital	No. of shares	Par value	Share capital
Share capital as of 31 December 2013	67 788 874	4	48 420
Issued shares 2014	-	-	-
Share capital as of 31 December 2014	67 788 874	4	48 420
Share capital as of 31 December 2014	67 788 874	4	48 420
Issued shares 2015	-	-	-
Share capital as of 31 December 2015	67 788 874	4	48 420

The share capital is denominated in NOK, and the nominal value per share is NOK 4 (in US dollars 0.74). All issued shares are of equal

# Overview of shareholders as of 31 December 2015

Shareholder	No. of shares	<u>In %</u>
AWILCO AS	24 114 080	35.6%
EUROCLEAR BANK S.A.	6 390 024	9.4%
HOME CAPITAL AS	5 887 236	8.7%
ASTRUP FEARNLEY A/S	5 260 050	7.8%
UTHALDEN A/S	5 135 050	7.6%
JP MORGAN CLEARING CORP.	3 850 048	5.7%
ODIN ENERGI	2 198 074	3.2%
CREDIT SUISSE SECURITIES	2 035 000	3.0%
GLAAMENE INDUSTRIER	1 499 405	2.2%
MP PENSJON PK	836 800	1.2%
SKIPS AS TUDOR	781 429	1.2%
VERDIPAPIRFONDET DNB	770 423	1.1%
Other shareholders	9 031 255	13.3%
Total	67 788 874	100 %

# NOTE 20 // CAPITAL AND FINANCIAL RISK MANAGEMENT

#### Capital management

A key objective in Awilco LNG's capital management is to ensure that the Group maintains a capital structure in order to support its business, maintain investor and creditor confidence and maximise shareholder value. The Group evaluates its capital structure in light of current and projected cash flow, the relative strength of the shipping markets, new business opportunities and the Group's financial commitments. As part of the Group's long term capital management strategy, the Company was listed on Oslo Axess in September 2011. Capital is managed on the Group level, although each vessel owning company has a capital structure adressing company specific financial and operational requirements and risks.

The Group monitors its capital using the book equity ratio, which stands at 35 % as at 31 December 2015 (39 % 31 December 2014). Awilco LNG is not subject to any financial covenants.

#### **Equity ratio**

	31.12.15	31.12.14
Book equity	155 563	191 838
Total assets	445 454	497 505
Book equity ratio	35 %	39 %

#### Dividend policy

The Group's intention is to pay regular dividends in support of the Group's main objective of maximising returns to shareholders. Any future dividends proposed will be at the discretion of the Board of Directors and will depend upon the Group's financial position, earnings, debt covenants, capital requirements and other factors. There are no current estimates regarding the potential future dividend level or timing of dividend payments.

# Financial risk management

The Group is in its business exposed to financial risks such as market risk, credit risk and liquidity risk. The Group's management identifies, evaluates and implements necessary actions to manage and mitigate these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

# Market risk

Market risk from financial instruments is the risk that future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, foreign currency risk and price risk. Financial instruments held by the Group is affected by market risk. The Group does not enter into any financial instruments, including financial derivatives, for trading purposes.

Interest rate risk: At the balance sheet date the Group has no interest bearing debt which is subject to a floating interest charge, same as at 31 December 2014. Lease liabilities are repaid with fixed and predetermined monthly payments, and thus subject to a fixed interest rate element. The Group also has bank deposits subject to floating NIBOR and LIBOR rates. No interest rate derivatives have been entered into to mitigate the floating interest rate risk. The Group will in the future evaluate the need for hedging of interest rate risk.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The functional currency of all the entities in the Group is USD, and the Group has only minor currency risk from its operations since all income and all major vessel costs are in USD. However the Group has exposure to NOK as administration expenses and parts of cash and cash equivalents, other short term assets, trade payables and provisions and accruals are denominated in NOK. Financial instruments denominated in currencies other than USD at 31 December 2015 include trade payables, other short term assets and bank deposits in NOK which represents a net long exposure to NOK. Based on these financial instruments denominated in NOK at 31 December 2015, a 10 % change in the USD/NOK rate would have an effect on the profit/(loss) for the reporting period of KUSD 176 and no direct effect on equity (KUSD 35 in profit/(loss) effect in 2014).

# NOTE 20 // CAPITAL AND FINANCIAL RISK MANAGEMENT - CONTINUED

Price risk: The Group will normally have limited exposure to risks associated with bunkers price fluctuations as the bunkers is for the charterers account when the vessels are on contract. The Group has currently not entered into any bunker derivatives, however this is subject to continuous assessments.

The Group is also subject to price risk related to the spot/short term charter market for chartering LNG carriers which may be uncertain and volatile and will depend upon, among other things, the natural gas prices and energy market which the Group cannot predict. Currently, no financial instruments has been entered into to reduce this risk.

#### Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities through trade receivables and from its financing activities, including deposits with banks.

The Group aims to do business with creditworthy counterparties only. Prior to entering into a charterparty the Group evaluates the credit quality of the customer, assessing its financial position, past experience and other factors. If the counterparty is not assessed as of adequate credit quality the Group may demand guarantees to reduce credit risk to an acceptable level. Charter hire is paid monthly in advance, effectively reducing the potential exposure to credit risk. The credit quality of outstanding trade receivables as at 31 December 2015 is assessed to be good. Furthermore, as disclosed in note 12, none of the trade receivables outstanding as at 31 December 2015 are past due. Bank deposits are only deposited with internationally recognised financial institutions with a high credit rating. Currently bank deposits are with banks rated Aa2 to Aa3 (based on Moody's), hence the assessed credit risk is minimal.

Awilco LNG has not provided any material guarantees for third parties' labilities, and the maximum exposure to credit risk is represented by the carrying amount of financial assets in the statement of financial position.

# Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity and/or undrawn commited credit facilities at all times to meet its obligations without incurring unacceptable losses or risking damage to the Group's reputation. To ensure this, the Group continuously monitors the maturity of the financial assets and liabilities and projected cash flows from operations. Please see the liquidity risk section in the Board of Directors' report for further information.

The following tables show the contractual maturities of financial liabilities on an undiscounted basis:

Per 31 December 2015	< 3 mon.	3-12 mon.	1-5 yrs	→ 5 yrs	Total
Trade payables	332	-	-	-	332
Finance lease liabilities	3 072	9 680	272 804	-	285 556
Interest on finance lease	5 865	17 325	28 398	-	51 587
Total	9 268	27 005	301 202	-	337 475
Per 31 December 2014	< 3 mon.	3-12 mon.	1-5 yrs	> 5 yrs	Total
Trade payables	467	-	-	-	467
Trade payables Finance lease liabilities	467 2 794	- 8 905	- 285 556	-	
1 7					467

# **NOTE 21 // RELATED PARTIES**

To provide the Group with access to important and required knowledge and services, the Group has entered into the following agreements and transactions with related parties:

Related party	Description of service	No.
Wilhelmsen Marine Services AS (WMS)	Technical Sub-management Services	1
Awilhelmsen Management AS (AWM)	Administrative Services	2
Astrup Fearnley Group	Ship Brokering Services	3

[1] The Group's in-house technical manager, Awilco LNG Technical Management AS (ALNG TM), has entered into a sub-management agreement with WMS, whereby WMS assists ALNG TM in management of the Group's fleet. The sub-management services also include management for hire of the managing director in ALNG TM. ALNG TM pays WMS a management fee based on WMS' costs plus a margin of 7 %, cost being time accrued for the sub-manager's employees involved. The fee is subject to quarterly evaluation, and is regulated according to the consumer price index in Norway. The agreement can be terminated by both parties with three months notice. WMS is 100 % owned by Awilco AS.

(2) AWM provides the Group with administrative and general services including accounting and payroll, legal, secretary function and IT. The Group pays AWM MNOK 4.3 in yearly management fee (approx. MUSD 0.5-0.6) based on AWM's costs plus a margin of 5 %. The fee is subject to semi-annual evaluation, and is regulated according to the consumer price index in Norway. The agreement can be terminated by both parties with three months notice. AWM is 100 % owned by Awilhelmsen AS, which owns 100 % of Awilco AS.

[3] One of the Company's Board Members is the General Manager of the Astrup Fearnley Group. The Astrup Fearnley Group delivers ship brokering services on a competitive basis to the Group.

Purchases from related parties	2015	2014
Wilhelmsen Marine Services AS	680	774
Awilhelmsen Management AS	519	695
Astrup Fearnley Group	20	243

Purchases from related parties are included as part of Administration expenses in the income statement, except from commissions paid to the Astrup Fearnley Group, which are included in Voyage related expenses.

Balances with related parties (liabilities)	31.12.15	31.12.14
Wilhelmsen Marine Services AS	196	226
Astrup Fearnley Group	20	-

Balances with related parties (liabilities) are presented as Trade payables or Provisions and accruals in the statement of financial position

Balances with related parties (assets)	31.12.15	31.12.14
Wilhelmsen Marine Services AS	8	41

Balances with related parties (assets) are presented as Trade receivables in the statement of financial position.

# **NOTE 21 // RELATED PARTIES - CONTINUED**

# Remuneration to key management

2015 Remuneration	Salary	Bonus	Share options	Pensions	Other	Total
CEO Jon Skule Storheill	381	-	-	54	34	469
CFO Snorre S. Krogstad	257	-	-	34	27	318
Total	638	-	-	88	61	787

2014 Remuneration	Salary	Bonus	Share options	Pensions	Other	Total
CEO Jon Skule Storheill	442	90	-	52	47	631
CFO Snorre S. Krogstad	309	21	-	37	42	409
Total	752	111	-	89	89	1 040

Reference is made to the Company's statement regarding compensation to leading employees for further information regarding remuneration to key management.

#### Bonus agreements

The Company has established a bonus scheme for key management which is partly based on set goals and partly on a discretionary evaluation of the Group's and the employee's performance. The potential bonus payment to the CEO is discretionary and not limited, while the potential bonus payment to the CFO is limited to 12 months salary.

# Loans, advances and guarantees

Awilco LNG has not provided any loans, advances or guarantees to key management.

The CEO of the Company has an agreement of 18 month severance payment including a six month period of notice in case of involuntary resignment or by redundancy.

# Synthetic option programme

A synthetic option program for employees of the Company was established in 2011. Further information regarding the terms and calculations is provided in note 8. Figures in the tables above represent the option expense in the period, if positive.

# **Remuneration to Board of Directors**

Remuneration to the Board of Directors consists of a Director's fee which is fixed for the year depending on the role on the Board as well as compensation for other Board elected committees. The Board's fees are approved by the Annual General Meeting.

2015 Remuneration	Director's fee	Audit committee fee	Remuneration committee fee	Total
Sigurd E. Thorvildsen	44	-	6	50
Jon-Aksel Torgersen	25	-	6	31
Henrik Fougner	25	6	-	31
Annette Malm Justad	25	-	-	25
Synne Syrrist	25	6	-	31
Total compensation for the period	144	12	12	169

2014 Remuneration	Director's fee	Audit committee fee	Remuneration committee fee	Total
Sigurd E. Thorvildsen	56	-	8	64
Jon-Aksel Torgersen	32	-	8	40
Henrik Fougner	32	8	-	40
Annette Malm Justad	32	-	-	32
Synne Syrrist	32	8	-	40
Total compensation for the period	184	16	16	216

# Directors' and key management's shares and options in the Company

Board of Directors	Common shares	Synthetic options
Sigurd E. Thorvildsen	-	-
Jon-Aksel Torgersen	641 850	-
Henrik Fougner	-	-
Annette Malm Justad	-	-
Synne Syrrist	-	-
<u>Total</u>	641 850	_

Key management	Common shares	Synthetic options
CEO Jon Skule Storheill	40 000	529 425
CFO Snorre S. Krogstad	-	284 546
Total	40 000	813 971

For further information about synthetic options see note 8.

Auditor's fee	2015	2014
Statutory audit	75	75
Other assurance services	-	5
Tax advisory	10	6
Total fees to auditor, excl. VAT	85	86

# **NOTE 22 // FINANCE LEASE LIABILITIES**

Subsequent to delivery from DSME on 16 September 2013 and 28 November 2013 respectively, the vessels WilForce and WilPride were sold to companies in the Teekay LNG Partners L.P. Group (Teekay) for MUSD 205 less MUSD 50 in pre-paid charter hire each, and chartered back by Awilco LNG on bareboat basis. The bareboat agreement for WilPride is for four years plus a one year option in Awilco LNG's favour, and for WilForce five years plus a one year option in Awilco LNG's favour. The bareboat rate is fixed at USD 49,100 per day per vessel for the whole duration, payable monthly up front. Awilco LNG has repurchase obligations at the end of the charter periods of MUSD 130.9 after four years, 123.5 after five years and MUSD 115.5 after six years. The sale-leaseback agreements are assessed as financial lease arrangements by Management, and MUSD 155.0 per vessel was recognised as a lease liability at the commencement date 16 September and 28 November 2013 respectively. The agreements impose no financial covenants or commercial restrictions on the Group.

# **NOTE 22 // FINANCE LEASE LIABILITIES - CONTINUED**

# **Carrying amount**

The net carrying amount of the finance lease liabilities is classified into long-term and short-term portions:

	31.12.15	31.12.14
Long-term interest bearing debt	272 804	285 556
Short-term interest bearing debt	12 752	11 699
Total	285 556	297 256

# Payments towards finance lease liabilities

		2015	
	Principal	Interest	Total
Lease payments WilForce	5 898	12 024	17 922
Lease payments WilPride	5 802	12 120	17 922
Total	11 699	24 144	35 843

		2014		
	Principal	Interest	Total	
Lease payments WilForce	5 426	12 495	17 922	
Lease payments WilPride	5 338	12 583	17 922	
Total	10 765	25 078	35 843	

# Future minimum lease payments and their present value

Per 31 December 2015	< 1 year	1-5 yrs	> 5 yrs	Total
Minimum lease payments	35 941	301 202	-	337 143
Present value of min. lease payments	34 598	250 959	-	285 556
Per 31 December 2014	< 1 year	1-5 yrs	→ 5 vrs	Total
Minimum lease payments	35 843	337 143	-	372 986
Present value of min. lease payments	34 507	262 749	-	297 256

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# **NOTE 23 // SUBSIDIARIES**

The consolidated financial statements include the financial statements of Awilco LNG ASA and its subsidiaries listed in the table below:

Company name	Country	Principial activity	Date incorporated	Ownership/ voting share
Awilco LNG 1 AS	Norway	Owner of LNG/C WilGas	2 February 2011	100 %
Awilco LNG 2 AS	Norway	Owner of LNG/C WilPower	2 February 2011	100 %
Awilco LNG 3 AS	Norway	Owner of LNG/C WilEnergy	2 February 2011	100 %
Awilco LNG 4 AS	Norway	Owner of LNG/C WilForce	6 May 2011	100 %
Awilco LNG 5 AS	Norway	Owner of LNG/C WilPride	6 May 2011	100 %
Awilco LNG Technical Managemen	t AS Norway	Technical management	17 September 2012	100 %

The subsidiaries' registered office is Beddingen 8, 0250 Oslo. All subsidiaries are included in the consolidated financial statement from their respective dates of incorporation. LNG/C WilPower was sold in 2015. Awilco LNG 6 AS and Awilco LNG 7 AS were dissolved in 2015.

# NOTE 24 // COMMITMENTS, CONTINGENCIES AND GUARANTEES

# Operating lease commitments

The Group has operating lease commitments related to office rental. The contractual amounts fall due as follows:

	31.12.15	31.12.14
Within 1 year	99	120
1 to 5 years	66	80
After 5 years	-	-
Total	166	200

# **NOTE 25 // GOING CONCERN**

Awilco LNG's financial statements have been prepared on a going concern basis. The following key uncertainty regarding this assumption has been identified:

WilGas and WilEnergy are currently in layup. WilPride is trading in the spot market. As described in the Outlook section of the Board of Directors' report, both rates and utilisation are expected to be under pressure at least for the first part of 2016. The Group's ability to continue as a going concern is dependent upon either generating sufficient cash flow from employed vessels, leveraging the fleet of currently all-equity financed second generation vessels, or potentially disposing of one or both second generation vessels.

# NOTE 26 // EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.

# NOTE 27 // NEW AND AMENDED STANDARDS AND INTERPRETATIONS

## IFRS ISSUED AND ADOPTED BY THE GROUP

No new standards, amendments and interpretations with impact on Awilco LNG were taken into use with effect from 2015.

# IFRS ISSUED BUT NOT ADOPTED BY THE GROUP

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. Only standards and interpretations that are applicable to the Group have been included. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

# **IFRS 9 FINANCIAL INSTRUMENTS**

IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project has been transferred into IFRS 9. IFRS 9 is expected to be approved by EU in the first half of 2016 and to be implemented in 2018. The Group has made a preliminary assessment of the effects of replacing IAS 39 with IFRS 9, and has not identified any material impact on the Group's financial position or performance.

# IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15 Revenue from Contracts with Customers. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). IFRS 15 is expected to be approved by EU in Q2 2016 and to be implemented in 2018. As the Group's revenue mainly is from operational lease arrangements the effect of implementation of IFRS 15 is expected to be immaterial.

# **IFRS 16 LEASES**

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessors, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The EU effective date is to be determined and expected implementation is in 2019. The Group has made a preliminary assessment of the effects of replacing IAS 17 with IFRS 16, and has not identified any material impact on the Group's financial position or performance.



# **INCOME STATEMENT**

In NOK thousands

	Note	2015	2014
Operating income	6	7 785	10 687
Administration expenses	3	20 549	20 689
Earnings before interest, taxes, depr. and amort. (EBITDA)		(12 765)	(10 002)
Depreciation and amortisation	10	215	382
Impairment of shares in subsidiaries	6	80 800	11 400
Earnings before interest and taxes		(93 780)	(21 785)
Finance income	4	21 647	26 465
Finance expenses	4	1 122	2 349
Net finance income/(expense)		20 525	24 116
Profit/(loss) before taxes		(73 255)	2 331
Income tax expense	5	-	-
Profit/(loss) for the period		(73 255)	2 331
Allocations/transfers of profit/(loss) for the period:			
Allocted to/(transferred from) retained earnings		(73 255)	2 331
Total allocations and transfers		(73 255)	2 331

# **BALANCE SHEET**

In NOK thousands

	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Other fixed assets	10	687	1 689
Shares in subsidiaries	6	989 262	933 302
Loans to subsidiaries	6	112 300	155 300
Total non-current assets		1 102 249	1 090 291
Current assets			
Short term receivables subsidiaries	6	9 087	20 708
Other short term assets		581	627
Cash and cash equivalents	7	13 419	2 897
Total current assets		23 087	24 232
TOTAL ASSETS		1 125 336	1 114 523
EQUITY AND LIABILITIES			
Equity			
Share capital	8	271 155	271 155
Share premium		690 357	690 357
Retained earnings		68 430	141 685
Total equity		1 029 942	1 103 197
Non-current liabilities			
Pension liabilities	3	1 894	1 227
Loans from subsidiaries	6	88 633	1 501
Total non-current liabilities		90 526	2 728
Current liabilities			
Short term payables subsidiaries	6	2 055	1 795
Trade payables		184	240
Provisions and accruals	9	2 629	6 563
Total current liabilities		4 867	8 598
TOTAL EQUITY AND LIABILITIES		1 125 336	1 114 523

Oslo, 6 April 2016

Sigurd E. Thorvildsen Chairman of the Board

Jon-Aksel Torgersen Board member

Amett Maln Justal Annette Malm Justad

Board member

Jon Skule Storheill

# STATEMENT OF CHANGES IN EQUITY

# For the period ended 31 December 2015

In NOK thousands

	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2015	271 155	690 357	141 685	1 103 197
Profit/(loss) for the period	-	-	[73 255]	(73 255)
Balance as at 31 December 2015	271 155	690 357	68 430	1 029 942

# For the period ended 31 December 2014

In NOK thousands

	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2014	271 155	690 357	139 353	1 100 866
Profit/(loss) for the period	-	-	2 331	2 331
Balance as at 31 December 2014	271 155	690 357	141 685	1 103 197

# **CASH FLOW STATEMENT**

In NOK thousands

	Note	2015	2014
Cash Flows from Operating Activities:			
Profit/(loss) before taxes		(73 255)	2 331
Items included in profit/(loss) not affecting cash flows:			
Depreciation and amortisation	10	215	382
Accrued net interest income on group loans		[4 023]	(5 233)
Impairment of shares in subsidiaries	6	80 800	11 400
Changes in operating assets and liabilities:			
Other short term assets		46	189
Short term receivables/payables subsidiaries		16 247	(10 007)
Trade payables, provisions and accruals		(3 324)	[6 069]
i) Net cash provided by / (used in) operating activities		16 705	(7 007)
Cash Flows from Investing Activities:			
Investment in subsidiaries	6	(137 000)	-
Loans (to) / from subsidiaries	6	130 132	-
Investment in other fixed assets	10	-	(15)
Proceeds from sale of other fixed assets		685	-
ii) Net cash provided by / (used in) investing activities		(6 183)	(15)
Cash Flows from Financing Activities:			
iii) Net cash provided by / (used in) financing activities		-	
Net change in cash and cash equivalents (i+ii+iii)		10 522	(7 022)
Cash and cash equivalents at start of period	7	2 897	9 918
Cash and cash equivalents at end of period	7	13 419	2 897
Interest paid		173	78
Interest received		1 648	99

# **NOTE 1 // CORPORATE INFORMATION**

Awilco LNG ASA (the Company) is a public limited liability company incorporated and domiciled in Norway. Its registered office is Beddingen 8, 0250 Oslo, Norway. The Company was incorporated 2 February 2011, and is listed on Oslo Axess with the ticker ALNG. Awilco LNG ASA is through its subsidiaries engaged in the operations of and investments in LNG transportation vessels.

# NOTE 2 // SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

# **BASIS FOR PREPARATION**

The financial statements of Awilco LNG ASA have been prepared in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The financial statements are presented in Norwegian kroner (NOK) rounded off to the nearest thousands, except as otherwise indicated.

The principal accounting policies applied in the preparation of these financial statements are set out below.

# **SHARES IN SUBSIDIARIES**

Shares in subsidiaries are measured at cost less accumulated impairment losses. Such assets are impaired to fair value when the decrease in value is for reasons not considered being of a temporary nature and must be deemed necessary based on generally accepted accounting principles. Impairment losses are reversed when the rationale for the recognised impairment loss no longer applies. Dividends, group contributions and other distributions from subsidiaries are recognised in the same period as they are recognised in the financial statement of the subsidiary. If dividends and group contributions exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital and will be deducted from the carrying value of the subsidiary in the balance sheet of the Company.

# **FOREIGN CURRENCY**

The functional currency of the Company is USD whereas the presentation currency is NOK. Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated at the exchange rate applicable at the balance sheet date. Realised and unrealised foreign currency gains or losses on monetary items are presented as finance income or finance expense.

# **REVENUE RECOGNITION**

Revenues from the sale of services are recognised in the income statement once services have been rendered.

# OTHER FIXED ASSETS

Other fixed assets are capitalised and depreciated linearly over the estimated useful life. Costs for maintenance are expensed as incurred. If carrying value of other fixed assets exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

# **CLASSIFICATION OF ITEMS IN THE BALANCE SHEET**

Current assets and current liabilities include items that fall due for payment within one year after the reporting date. The short term part of long term debt is classified as short term debt.

# **LOANS AND RECEIVABLES**

Loans and receivables are initially recognised at fair value net of any transaction costs. The assets are subsequently carried at amortised cost using the effective interest method, if the amortisation effect is material, and the carrying amount is subsequently reduced by any impairment losses.

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### **TAXES**

The income tax expense consists of current income tax and changes in deferred tax.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statement.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised. Deferred income tax is calculated on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company.

Current income tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

### **SHARE-BASED PAYMENTS**

For cash-settled share-based payments a provision is recorded for the rights granted reflecting the vested portion of the fair value of the rights at the reporting date. Administration expense is accrued over the period the beneficiaries are expected to perform the related service (vesting period), with a corresponding increase in provisions. The cash-settled share-based payments are remeasured to fair value at each reporting date until the award is settled. Any changes in the fair value of the provision are recognised as administration expense in the income statement. The amount of unrecognised compensation expense related to non-vested share-based payment arrangements granted in the cash-settled plans is dependent on the final intrinsic value of the awards. Social security tax liability is calculated based on the intrinsic value of the cash-settled share-based payments.

## **PENSIONS**

The Company has implemented a defined contribution plan for its employees. The plan complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenestepensjon"). Contributions on salary up until 12G are funded in a life insurance company, whereas contributions on salary over 12G are funded by the Group. G refers to the Norwegian National Insurance basic amount.

Contributions to the funded plan are recognised as an employee benefit expense in the income statement when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Company has no further payment obligations once the contributions have been paid.

The liability arising from the plan funded by the Group is classified as a non-current liability in the balance sheet. Changes in the liability are recognised as employee benefit expenses in the income statement in the periods during which services are rendered by employees. The liability becomes payable to the employee upon termination, voluntary or involuntary, of the employment.

### **CASH AND CASH EQUIVALENTS**

Cash represents cash on hand and deposits with banks that are repayable on demand. Cash includes restricted employee taxes withheld. Cash equivalents represent short-term, highly-liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less.

### **DIVIDENDS**

Proposed dividend payments from the Company are recognised as a liability in the Group's financial statements on the reporting date 31 December current year.

### **CASH FLOW STATEMENT**

The cash flow statement is presented using the indirect method.

# **NOTE 3 // ADMINISTRATION EXPENSES**

Administration expenses	2015	2014
Salaries and other remuneration	7 600	7 485
Social security cost	1 950	2 373
Pension	1 144	1 039
Other employee related expenses	165	145
Total employee related expenses	10 858	11 043
Management fees	3 968	3 892
Consultant, legal and auditor's fees	626	912
Other administration expenses	5 098	4 841
Total administration expenses	20 549	20 689

Information regarding management fees to related parties is provided in note 6.

Number of employees	2015	2014
Employees year end	6	6
Average number of work years	6	6

### Pensions

The Company has a defined contribution plan for its employees which complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenestepensjon"). The pension plan is a defined contribution plan whereby salary up until 12G is funded in a life insurance company. Defined contributions regarding salary over 12G is funded by the Company. As at 31 December 2015 the Company's pension liability was TNOK 1 894 (31 December 2014 TNOK 1 227).

# Synthetic option programme

Please see note 8 in the consolidated financial statements for disclosures regarding the synthetic option programme. The following amounts were recognised in the Company's accounts:

Option liability and expense	2015	2014
Carrying value liability	85	1 673
Option expense	(1 588)	(3 172)
Intrinsic value of vested options	-	-

### Remuneration to key management

Please see note 21 in the consolidated financial statements for disclosures regarding remuneration to key management.

# **Remuneration to Board of Directors**

Please see note 21 in the consolidated financial statements for disclosures regarding remuneration to Board of Directors.

Auditor's fee	2015	2014
Statutory audit	225	170
Other assurance services	-	15
Tax advisory	86	41
Total fees to auditor, excl. VAT	311	227

# **NOTE 4 // FINANCE INCOME AND EXPENSES**

Finance income	2015	2014
Interest income	136	99
Interest income group companies	6 315	5 835
Currency gain	6 742	1 081
Dividends and group contributions from subsidiaries	3 700	15 000
Other finance income group companies	4 752	4 451
Total finance income	21 647	26 465
Finance expenses	2015	2014
Interest expense	17	78
Interest expense group companies	938	610
Currency loss	49	1 560
Other finance expenses	118	100
Total finance expenses	1 122	2 349

Currency gains and losses mainly relate to translation effects from bank accounts and balances with subsidiaries denominated in USD and translated into NOK at the balance sheet date. See note 6 for a specification of finance income and expense group companies.

# **NOTE 5 // INCOME TAXES**

# Tax regime

The Company is subject to ordinary corporation tax in Norway at a current tax rate of 27 %.

Income tax expense	2015	2014
Current income tax	-	-
Changes in deferred tax	-	-
Total income tax expense / (income)	-	
Specification of basis for deferred tax	31.12.15	31.12.14
Other fixed assets	[192]	(378)
Provisions and accruals	85	1 673
Pension liabilities	1 894	1 227
Tax loss carry forward	4 935	11 998
Basis for deferred tax asset / (liability)	6 722	14 520
Not recognised deferred tax assets (basis)	[6 722]	(14 520)
Basis for deferred tax asset / (liability)		
Tax rate	25 %	27 %
Deferred tax asset / (liability)		_

<sup>\*</sup> As of 1 January 2016 the tax rate in Norway was reduced from 27 % to 25 %.

Recognition of deferred income tax assets is subject to strict requirements in respect of the ability to substantiate that sufficient taxable profit will be available against which the unutilised tax losses can be used. Based on these requirements and an assessment by the Company deferred tax assets arising from tax loss carry forward has not been recognised. Utilisation of the tax loss carry forward is not limited in time.

Reconciliation of effective tax rate	2015	2014
Profit/(loss) before taxes	(73 255)	2 331
Tax based on ordinary tax rate	(19 779)	629
Effects from:		
Permanent differences	21 884	(928)
Not recognised deferred tax assets	(2 106)	299
Effect of change in tax rate	-	-
Total income tax expense / (income)	-	
Income tax payable	2015	2014
Current tax payable recognised in income statement	-	-
Current tax payable recognised directly in equity	-	-
Total income tax payable	_	_

# NOTE 6 // RELATED PARTIES AND INVESTMENTS IN GROUP COMPANIES

# Transactions with related parties

To provide the Company with access to important and required knowledge and services, the Company has entered into various agreements with related parties. Information regarding these contracts and the transactions and balances with related parties, except for transactions and balances with subsidiaries, is provided in note 21 in the consolidated financial statement. Transactions with subsidiaries are disclosed below.

# **Subsidiaries**

As of 31 December 2015 the Company has the following subsidiaries:

Company name	Country	Principial activity	Date incorporated
Awilco LNG 1 AS	Norway	Owner of LNG/C WilGas	2 February 2011
Awilco LNG 2 AS	Norway	Owner of LNG/C WilPower	2 February 2011
Awilco LNG 3 AS	Norway	Owner of LNG/C WilEnergy	2 February 2011
Awilco LNG 4 AS	Norway	Owner of LNG/C WilForce	6 May 2011
Awilco LNG 5 AS	Norway	Owner of LNG/C WilPride	6 May 2011
Awilco LNG Technical Management AS	Norway	Technical management	17 September 2012

The subsidiaries' registered office is Beddingen 8, 0250 Oslo, Norway. The wholly owned subsidiaries Awilco LNG 6 AS and Awilco LNG 7 AS were dissolved in 2015. LNG/C WilPower was sold in 2015.

# NOTE 6 // RELATED PARTIES AND INVESTMENTS IN GROUP COMPANIES - CONTINUED

	Ownership/	Carrying amount	Carrying amount
Company name	voting share	31.12.15	31.12.14
Awilco LNG 1 AS	100 %	53 600	57 000
Awilco LNG 2 AS	100 %	56 642	56 642
Awilco LNG 3 AS	100 %	57 000	57 000
Awilco LNG 4 AS	100 %	373 800	373 800
Awilco LNG 5 AS	100 %	438 100	378 500
Awilco LNG 6 AS	100 %	-	120
Awilco LNG 7 AS	100 %	-	120
Awilco LNG Technical Management AS	100 %	10 120	10 120
Total carrying amount 31 December		989 262	933 302

Based on an assessment of the recoverable amount of shares in subsidiaries Awilco LNG 1 AS and Awilco LNG 5 AS impairment charges of NOK 3.4 million and NOK 77.4 million respectively were recognised in 2015 (impairment charge on shares in Awilco LNG 2 AS of NOK 11.4 million in 2014).

A debt to equity conversion of NOK 137 million in Awilco LNG 5 AS was concluded in 2015.

# Balances with subsidiaries

The Company provides financing to its subsidiaries through both long term and short term loans. The long term loans mature 31 December 2020 and are installment free in the period. Interest on both long term loans and short term receivables/payables is agreed to LIBOR + 3 % for USD denominated loans and NIBOR + 3 % for NOK denominated loans. See below for interest income from subsidiaries.

# Balances with subsidiaries as at 31 December 2015

Subsidiary	Long term loans(+) /borrowings(-)	Short term receivables	Short term payables
Awilco LNG 1 AS	63 900	2 530	-
Awilco LNG 2 AS	(88 633)	-	777
Awilco LNG 3 AS	44 000	2 231	-
Awilco LNG 4 AS	-	-	35
Awilco LNG 5 AS	4 400	626	28
Awilco LNG Technical Management AS	-	3 700	1 215
Total	23 668	9 087	2 055

Short term receivable NOK 3.7 million towards Awilco LNG Technical Management AS relates to group contribution.

# NOTE 6 // RELATED PARTIES AND INVESTMENTS IN GROUP COMPANIES - CONTINUED

### Balances with subsidiaries as at 31 December 2014

Subsidiary	Long term loans(+) /borrowings(-)	Short term receivables	Short term payables
Awilco LNG 1 AS	59 500	17 039	-
Awilco LNG 2 AS	42 800	1 863	-
Awilco LNG 3 AS	53 000	1 806	-
Awilco LNG 4 AS	-	-	13
Awilco LNG 5 AS	-	-	12
Awilco LNG 6 AS	-	-	-
Awilco LNG 7 AS	-	-	-
Awilco LNG Technical Management AS	(1 501)	-	1 769
Total	153 799	20 708	1 795

### Transactions with subsidiaries

Awilco LNG ASA provides commercial management services to the vessel owning subsidiaries:

# Commercial management fees from subsidiaries

Subsidiary	2015	2014
Awilco LNG 1 AS	943	2 631
Awilco LNG 2 AS	482	746
Awilco LNG 3 AS	867	1 568
Awilco LNG 4 AS	3 990	3 331
Awilco LNG 5 AS	1 493	2 398
Total	7 775	10 673

The commercial management fees are based on a fixed fee of USD 100 000 per vessel per year and a fixed percentage of gross freight income of 1.25 %.

# Project management fee Awilco LNG Technical Management

A subsidiary of the Company, Awilco LNG Technical Management AS, provides project management services to the Company. In 2015 the Company paid a fee of TNOK 1 153 for these services (TNOK 1 417 in 2014).

### Guarantee commission from subsidiaries

The Company has issued guarantees towards the lessor of WilForce and WilPride on behalf of lessees Awilco LNG 4 AS and Awilco LNG 5 AS respectively, see note 12. A guarantee commission of TNOK 2 690 and TNOK 2 062 respectively was charged the two subsidiaries in 2015 (TNOK 2 265 and 2 186 in 2014).

# NOTE 6 // RELATED PARTIES AND INVESTMENTS IN GROUP COMPANIES - CONTINUED

Interest income from subsidiaries Subsidiary	2015	2014
Awilco LNG 1 AS	2 601	2 052
Awilco LNG 2 AS	1 410	1 958
Awilco LNG 3 AS	2 296	1 823
Awilco LNG 4 AS	-	-
Awilco LNG 5 AS	7	1
Awilco LNG 6 AS	-	-
Awilco LNG 7 AS	-	-
Awilco LNG Technical Management AS	-	-
Total	6 315	5 835
lakan akan manan ankai di mira		
Interest expenses subsidiaries Subsidiary	2015	2014
Awilco LNG 1 AS	-	475
Awilco LNG 2 AS	928	3
Awilco LNG 3 AS	-	51
Awilco LNG 4 AS	-	1
Awilco LNG 5 AS	-	-
Awilco LNG 6 AS	-	-
Awilco LNG 7 AS	-	-
Awilco LNG Technical Management AS	10	80
Total	938	610

# NOTE 7 // CASH AND CASH EQUIVALENTS

		31.12.2015		31.12.2014	
Currency	Code	FX rate	Carrying value	FX rate	Carrying value
US dollars	USD	8.8090	5 233	7.4332	1 369
Norwegian kroner	NOK	1	8 186	1	1 528
Total cash and cash equivalents			13 419		2 897

31 December 2015 TNOK 772 is restricted cash related to employee withholding tax (31 December 2014 TNOK 1 131), and TNOK 661 is restricted cash related to requirements from operating Awilco LNG's vessels (31 December 2014 TNOK 557).

Awilco LNG's liquidity is organised in a cash pool arrangement in which cash in the subsidiaries formally represents receivables or payables towards the parent company Awilco LNG ASA. The Group companies are jointly and severally liable for the total outstanding amount under the arrangement.

# **NOTE 8 // SHARE CAPITAL**

Information about the Company's share capital is provided in note 19 to the consolidated accounts.

# NOTE 9 // PROVISIONS AND ACCRUALS

Provisions and accruals	31.12.15	31.12.14
Accrued expenses, invoice not received	103	85
Salary related provisions, incl. synthetic options	2 525	6 478
Total provisions and accruals	2 629	6 563

# NOTE 10 // OTHER FIXED ASSETS

Other fixed assets	2015	2014
Cost at beginning of period	2 633	2 618
+Acquisitions	-	15
-Disposals	[1 122]	-
Cost as of 31 December	1 511	2 633
Accumulated depreciation at beginning of period	944	561
-Depreciation	215	382
-Disposals	(335)	-
Accumulated depreciation as of 31 December	824	944
Carrying amount as of 31 December	687	1 689
Estimated useful life	3-5 years	3-5 years
Depreciation method	Straight line	Straight line

Other fixed assets consists of fixtures, IT equipment and company cars.

# NOTE 11 // CAPITAL AND FINANCIAL RISK MANAGEMENT

General information regarding capital and financial risk management is provided in note 20 in the consolidated accounts. Awilco LNG ASA presents its financial statement in NOK, and is thus exposed to foreign exchange translation risk on monetary items denominated in foreign currencies.

# NOTE 12 // COMMITMENTS, CONTINGENCIES AND GUARANTEES

Please see note 24 in the consolidated accounts. In addition, Awilco LNG ASA has issued certain guarantees on behalf of companies in the Awilco LNG Group:

The Company has issued a guarantee towards the Teekay LNG Partners L.P. Group on behalf of the Company's subsidiaries Awilco LNG 4 AS and Awilco LNG 5 AS, guaranteeing for the performance of the bare-boat charter agreements described in note 22 in the consolidated accounts.

# NOTE 13 // EVENTS AFTER THE REPORTING DATE

Information on events after the reporting date is disclosed in note 26 in the consolidated accounts.





Statsautoriserte revisorer Ernst & Young AS

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To the Annual Shareholders' Meeting of Awilco LNG ASA

# **AUDITOR'S REPORT**

# Report on the financial statements

We have audited the accompanying financial statements of Awilco LNG ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2015, the statements of income, cash flows and changes in equity for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2015, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements. The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Awilco LNG ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

# Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 6 April 2016 ERNST & YOUNG AS

Finn Ole Edstrøm

State Authorised Public Accountant (Norway)



# **CORPORATE GOVERNANCE**

The main strategy for Awilco LNG ASA (the Company or Awilco LNG) is to create shareholder value through the provision of a quality, reliable and customer oriented service to the market, in the best manner for its shareholders, employees and business connections. Awilco LNG strives to protect and enhance shareholder equity through openness, integrity and equal shareholder treatment, and sound corporate governance is a key element in the basis of the Awilco LNG strategy.

The corporate governance principles of the Company are adopted by the Board of Directors of Awilco LNG ASA (the Board). The principles are based on the Norwegian Code of Practice for Corporate Governance, dated 30 October 2014 (the «Code of Practice»). Below follows a description of the basis that Awilco LNG has implemented the Code of Practice. This description follows the same structure as the Code of Practice and covers all sections thereof. Deviations, if any, from the Code of Practice are discussed under the relevant section.

# 1 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board of Directors shall ensure that appropriate goals and strategies are adopted, that the adopted strategies are implemented in practice, and that the results achieved are subject to measurement and follow-up. The principles shall also contribute to ensure that the activities of the Company are subject to adequate controls. An appropriate distribution of roles and adequate controls shall contribute to the largest possible value creation over time, for the benefit of the owners and other stakeholders

The Company has defined a mission statement "Marine Transportation through Safety and Environmental Excellence", and identified a set of core objectives that describes the focus and continuous improvement process based on the mission statement. The objectives include amongst others policies regarding; safeguarding of people, ships and cargoes, focus on limitation of any negative impact on the environment from our vessels and a separate statement regarding Safety Management & Environmental Protection Policy. This policy document, which is available on the Company's website www.awilcolng.no, describes the basic principles of the corporate values.

Awilco LNG's code of conduct – values and ethics forms an

important foundation for Awilco LNG's corporate governance and demands high ethical standards, in which focus on safety and integrity are key factors. The Company has continuous focus on making sure that the corporate values are practiced in the Company's everyday life. The Company's code of conduct – values and ethics can be found on the Company's website.

### **2 THE BUSINESS**

According to the Company's articles of association, its purpose is to carry out "shipping and other business related hereto". The objectives clause of the Company also includes "acquisitions, management, borrowings and sale of capital assets in the shipping business in addition to investments in shares, bonds and partnership contributions of any type connected with shipping, as well as participation, including ownership stakes in other shipping companies and other business naturally connected hereto."

The principal strategies of the Company are presented in the annual report.

### **3 EQUITY AND DIVIDENDS**

The Company's equity is assessed as appropriate based on its goals, strategies and risk profile. The book equity of the Awilco LNG Group as per 31 December 2015 was USD 155.6 million, which represents an equity ratio of 35 %.

The Company's long term objective is to pay a regular dividend in support of the Company's main objective to maximise return on the invested capital. Any future potential dividends declared will be at the discretion of the Board of Directors and will depend upon the Group's financial position, earnings, debt covenants, capital requirements and other factors. Dividends will be proposed by the Board for approval by the General Meeting. Any proposal to confer to the Board of Directors the mandate to distribute dividends is explained.

To the extent it is considered desirable, the Company may raise new equity in the capital market.

The Board is currently not authorised to purchase own shares in the market.

# 4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

The Company has one class of shares, and each share has one vote at the General Meeting.

In the case of assignment of shares, the other shareholders do not have pre-emptive rights. Assignment of shares in the Company is not conditional upon approval by the Board of Directors.

In the event of any material transactions between the Company and shareholders, Directors or close associates thereof, the Board of Directors shall consider arranging for an independent assessment of the transaction.

Awilco LNG has entered into a sub-management agreement with Wilhelmsen Marine Services AS (WMS) for technical management of the fleet. Furthermore, Awilco LNG has entered into an agreement with Awilhelmsen Management AS (AWM) for administrative services. Both WMS and AWM are related companies to Awilco AS, which owns 35.6 % of the shares in Awilco LNG. The management fees are, in the Company's opinion, made at market terms. Information regarding transactions with related parties is described in note 21 to the consolidated financial statements.

# **5 FREELY NEGOTIABLE SHARES**

The shares of Awilco LNG are listed on the Oslo Axess stock exchange. All issued shares carry equal shareholder rights in all respects, and there are no restrictions on transfer of shares. The articles of association place no restrictions on voting rights.

# **6 GENERAL MEETINGS**

The Annual General Meeting will normally take place in May or June each year, but at latest by 30 June. Notice of the meeting will normally be published through the Oslo Stock Exchange distribution channel and the Company's website at least 21 days in advance. Documentation containing the information necessary for the shareholders to make decisions on all the items on the agenda will simultaneously be made available on the Company's website, and will only be sent to shareholders that request the documentation on paper. The Board may decide by the notice of the meeting that shareholders who intend to attend the General Meeting shall give notice to the Company within five days prior to the General Meeting.

Registration is made in writing, per telefax or by e-mail. The Board wishes to make efforts to enable as many shareholders as possible to attend. Shareholders who are not able to attend are invited to meet by proxy, and efforts will be made for the proxies to relate to each individual item on the agenda.

The General Meeting will be chaired by the Chairman of the Board unless otherwise agreed by a majority of those shares represented at the meeting.

### **7 NOMINATION COMMITTEE**

According to the articles of association the Company shall have a Nomination committee that has the responsibility of proposing members to the Board of Directors and members of the Nomination committee. The Nomination committee shall also propose fee payable to the members of the Board and the members of the Nomination committee.

The members of the Nomination committee shall be shareholders or representatives of shareholders. The members of the Nomination committee, including its Chairman, are elected by the General Meeting. The members of the Nomination committee's period of service shall be two years unless the General Meeting decides otherwise.

The nomination committee is to maintain contact with shareholder groups, members of the Board of Directors and the Company's executive personnel in its works with proposing members to the Board of Directors.

The Annual General Meeting held on 12 June 2014 elected the current Nomination committee consisting of Tom Furulund and Henrik Christensen.

# 8 THE BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE

The Company's Board of Directors shall comprise 3 to 6 directors pursuant to the decision of the General Meeting. The Directors are elected for a period of two years unless otherwise determined by the General Meeting. The Board appoints the Chairman amongst the elected Board members.

The composition of the Board of Directors aims to ensure that the interests of all shareholders are represented. Currently three of the five directors are independent from the principal shareholder of the Company. The Board consists of the following members: Sigurd E. Thorvildsen (Chairman), Henrik Fougner, Jon-Aksel Torgersen, Synne Syrrist and Annette Malm Justad.

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### 9 THE WORK OF THE BOARD OF DIRECTORS

The Board's statutory duties include the overall administration and management of the Company. The Board adopts a meeting schedule for the following year in December. The directors shall normally meet in person, but if so allowed by the Chairman, directors may participate in any meeting of the Board by means of telephone. The internal allocation of responsibilities and tasks is regularly discussed and monitored in light of current legislation and employment contracts. The Board is regularly briefed on the Company's financial situation, the vessels' charter/market situation, liquidity situation and cash flow forecast, as well as any changes in the competition situation. The Board performs a yearly evaluation of its work.

The Board has established an Audit committee consisting of Synne Syrrist (Chairman) and Henrik Fougner, and has implemented an Audit committee charter. The Company's CFO is the secretary of the committee. The auditor shall participate in discussions of relevant agenda items in meetings of the Audit committee. The committee shall hold separate meetings with the auditor and the CEO at least once a year.

Furthermore, the Company has established a Remuneration committee consisting of Sigurd E. Thorvildsen and Jon-Aksel Torgersen. The Remuneration committee prepares guidelines and proposals regarding remuneration of executive personnel, which are reviewed and resolved by the Board of Directors.

### 10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the Company has satisfactory internal control procedures to manage its exposure to risks related to the conduct of the Company's business, including environmental conditions, to support the quality of its financial reporting and to ensure compliance with laws and regulations. The Board performs an annual review of the Company's key risks and the internal controls implemented to address these risks. The Board has identified and stated the various risks of Awilco LNG in the Company's annual report. Additionally, the Board is regularly briefed on the Company as described under section 9 above.

The Company has established an Audit committee that regularly evaluates and discusses the various risk elements of Awilco LNG, and potential for improvement. The Audit committee reports to the Board.

Awilco LNG's main goal is safe and efficient ship operation with no accidents, personal injury, environmental damage, or damage to equipment. In order to achieve these goals Awilco LNG has identified some core objectives that describe our focus and our continuous improvement process. The operation of technical management and newbuildings is closely monitored through dedicated supervision and safety reporting systems. Furthermore, the Company has established contingency plans and executes drills and training in order to improve emergency preparedness.

In addition to its own controlling bodies and external audit, the Company is subject to external supervision by Det Norske Veritas (DNV) for classification in accordance with ISO.

# 11 REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board shall reflect the Board's responsibilities, knowhow, time commitment and the complexity of the business activities. The directors do not receive profit related remuneration, share options or retirement benefits from the Company. The remuneration is proposed by the Nomination committee. More information about the remuneration of the individual directors is provided in note 21 in the consolidated accounts.

Directors or their related companies shall normally not undertake special tasks for the Company in addition to the directorship. However, the Company utilises outsourcing of technical submanagement, accounting and administrative services to WMS and AWM which are related companies. In addition ship brokering services are purchased on a competitive basis from a group of companies related to one of the Board members. All agreements and fees with related parties are approved by the Board. Furthermore, the members of the Audit committee and Remuneration committee receive a fee for serving on the committees.

### 12 REMUNERATION OF EXECUTIVE PERSONNEL

The Board has drawn up guidelines for determining the remuneration to executive personnel. The remuneration is based on a base salary, bonus and synthetic share options. The Board of Directors' yearly statement regarding compensation to key management is enclosed as a separate appendix to the agenda of the General Meeting. The General Meeting is to vote separately on advisory and binding aspects of the remuneration to executive personnel.

The General Meeting has given the Board of Directors the authority to implement a synthetic option program for leading employees of the Company limited to 2 % of the total amount of outstanding shares in the Company.

For information about the salary, options, pension and social security cost of the executive personnel, see note 21 in the consolidated accounts.

# 13 INFORMATION AND COMMUNICATION

The Company aims to keep shareholders, analysts, investors and other stakeholders updated on the Company's operations in a timely fashion. The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the Company's website. Events of importance are made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in English.

All stock exchange announcements and press releases, including the financial calendar, are made available on the Company's website.

# 14 TAKE-OVER

The Company's Articles of Association contains no defense mechanism against the acquisition of shares, and no other actions have been taken to limit the opportunity of acquiring shares in the Company.

In the event of a takeover bid the Board will seek to comply with the recommendations outlined in item 14 of the Code of Practice. If a bid has been received, the Board will seek to issue a statement evaluating the offer and make recommendations as to whether the shareholders should accept the offer or not. Normally it will be required to arrange a valuation from an independent expert. If the Board finds that it is unable to give a recommendation, the Board will explain the reason for not giving a recommendation. The statement should show whether the decision was unanimous, and if not, the background for why certain Board members did not adhere to the statement.

If a situation occurs where the Board proposes to dispose of all or a substantial part of the activities of the Company such a proposal will be placed before the General Meeting.

## **15 AUDITOR**

The auditor is appointed by the General Meeting, which also determines the auditor's fee. The auditor shall annually present an audit plan to the Audit committee. The auditor attends the Audit committee's review and discussion of the annual accounts. The Board of Directors minimum holds one annual meeting with the auditor without the CEO or other members of the executive group being in attendance.

The Company's management regularly holds meetings with the auditor, in which accounting principles and internal control routines are reviewed and discussed.

The auditor shall annually confirm compliance with the applicable independence rules and regulations in legislation and the audit firm's internal independence standards. The Audit committee has issued guidelines stipulating the management's possibility to undertake consulting services by the auditor. Auditor's fees are disclosed in note 21 in the consolidated accounts.



# **SOCIAL RESPONSIBILITY**

### INTRODUCTION

The Awilco LNG Group (Awilco LNG or the Company) has implemented a set of objectives, principles and procedures related to social responsibility to enable the Company to achieve and maintain its mission statement and objectives. Awilco LNG has implemented the highest standard of safe operation, meeting all environmental protection requirements and ensuring safe custody of our vessels, crew, customers' cargoes and owner's interests. Our commitment to our social responsibility ensures that Awilco LNG is a preferable LNG shipping company.

Awilco LNG is engaged in the global marine transportation of LNG, liquefied natural gas. Marine transportation is generally considered as the most efficient form of transporting natural gas over long distances. Natural gas is widely accepted as the least pollutive fossil fuel, and emits up to 60 % less CO2 than coal when used for electricity generation. Natural gas is widespread, abundantly available and cheap when comparing to other fossil fuels. The increased use of natural gas is expected to reduce the use of more pollutive fossil fuels such as coal and oil. According to ExxonMobil's 2016 Energy Outlook natural gas is projected to be the fastest growing major fuel, covering almost 40 % of the increase in global energy demand towards 2040. Awilco LNG's contribution to sustainable economic growth mainly relates to the potential for increased use of natural gas in the global energy mix.

Awilco LNG aims to provide positive impact on the communities we operate in, our employees, clients and suppliers through the Code of Ethics and Conduct (available at our webpage www. awilcolng.no), such as opposing corruption and facilitation payments in any form.

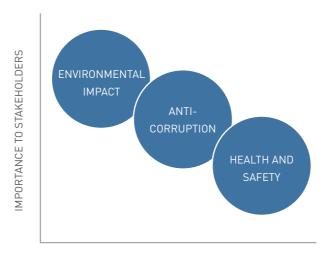
In general global marine transportation has a significant effect on the environment. Awilco LNG takes this impact seriously, and we work continuously to reduce our environmental footprint through improving fuel efficiency, optimising trade routes and improving waste management.

This report constitutes Awilco LNG's reporting according to the requirements of the Norwegian accounting act § 3-3c on social responsibility reporting.

# SCOPING OF MATERIAL ISSUES FOR AWILCO LNG

A materiality assessment forms the basis for how we prioritise

our social responsibility efforts, and thereby also impacts our internal and external reporting on social responsibility issues. The following issues have been assessed as the most material based on both their importance to Awilco LNG's business and their importance to Awilco LNG's stakeholders such as employees, customers, suppliers, regulators and investors:



IMPORTANCE TO BUSINESS

The Company's strategy is to integrate sustainability on these matters systematically into all material business processes to ensure Awilco LNG is assessed as a responsible enterprise.

# THE MATERIAL ISSUES

### Mission statement

Awilco LNG's mission statement is "Marine transportation through safety and environmental excellence".

### Health and safety

Company policies and objectives

The safety and well-being of Awilco LNG's employees and seafarers has the highest priority, as set out in the mission statement above and detailed in the Company's Safety Management & Environmental Protection Policy. Our objectives are zero accidents and no personal injuries. The Group shall adhere to national and international laws and regulations and constantly promote best practices identified within its own operations and the industry in order to improve the competence of individual crewmembers and vessel safety performance.

How we achieve our objectives

Our objectives are operationalised in the Company's Safety
Management & Environmental Protection Policy. The objective
of this policy is to ensure that the Company gives the highest
priority to the safety of human life and health through the
following measures:

- Provide support to ships' operation by implementation of a well-structured Safety Management System (SMS) based on a well-defined management organisation.
   The SMS is an integral part of all our activities, and includes instructions and procedures which contribute to the highest safety standards onboard our ships, ensuring that cargo is handled correctly and preventing situations which threaten safety of our personnel. The SMS is based on national and international requirements and standards for quality and safety, including the ISM code (International Management Code for the Safe Operation of Ships and Pollution Prevention) and the TMSA (Tanker Management and Self-Assessment guidelines) issued by OCIMF (Oil Companies International Marine Forum)
- Operate the vessels with continuously properly trained, informed and motivated crews. Awilco LNG aims to ensure a stable and motivating work environment for both onshore and offshore employees, ensuring high retention rates. The Group is proactively seeking to identify requirements and needs for additional training through regular audits, master and management reviews. A healthy lifestyle is promoted by providing fresh and healthy food and physical exercise opportunities
- Provide, equip and maintain the ships to the necessary standard as required by national regulation and international convention
- Avoid safety hazards through preventive safety measures, for instance by maintaining armed guards on all vessels passing through High Risk Areas

- Establish contingency plans and execute drills and training to improve emergency preparedness to meet situations which represent dangers to life, health, environment, ship and cargo
- See to it that a safety management culture is implemented within the Company
- Use a reporting system for accidents, near accidents, non-conformities and improvements, with special attention to the learning effect through feedback of experience and suggestions for improvement
- Use performing measures to continuously improve our operations

To accomplish the objectives Awilco LNG will plan, organise, perform, document and verify performance. Awilco LNG has a comprehensive Risk Management Program which includes detailed step by step risk assessment procedures. Risk assessments are performed during revisions of the Safety Management System (SMS), and are included as a fixed agenda item during safety meetings onboard and ashore. Verification of implementation is based on monitoring of risk assessment forms filed from each vessel in the fleet. The TMSA guidelines are used to improve the way we work in order to reach our objectives.

## Performance in 2015

The Company's senior management is actively engaged in monitoring Awilco LNG's performance in order to further encourage and promote positive trends, to provide advice and to take corrective action where negative trends are detected. Performance and results are measured using certain Key Performance Indicators (KPIs). KPI targets are resolved by senior management on an annual basis, and results are reported to senior management on a quarterly basis. Procedures and any new initiatives shall be part of the management review and include monitoring and measurements, adjustment of targets, and recording of achieved improvements. The procedures and activities shall be audited on a routine basis. The following main KPIs are the focus of Awilco LNG with regards to health and safety: ( see table below):

KPI	DEFINITION	RESULT 2015	RESULT 2014
LTIF (Lost time injury frequency)	Number of accidents per one-million man hours	0.0	2.0
	worked		
TRCF (Total recordable case frequency)	The sum of all work related, lost time injuries, re-	0.0	3.0
	stricted work injuries and medical treatment injuries		
Number of fatalities due to injuries	Number of deaths among the crew resulting from a	NIL	NIL
	work injury		

2015 marked a significant improvement in both LTIF and TRCF KPIs compared to 2014.

# Going forward

In 2016 Awilco LNG will continue efforts to improve and strengthen the safety culture to maintain the positive results achieved in 2015. The Company's objectives are zero accidents and no personal injuries.

#### Environmental impact

#### Background

Awilco LNG's potential environmental impact can be divided in three:

- Emissions from fuel consumption
- 2. Major environmental accidents
- Waste management including ballast water and spills

Although the shipping industry contributes with 3 to 4 % of the global annual CO2 emissions to the atmosphere, marine transportation is generally considered as the most efficient form of transporting natural gas over long distances.

Awilco LNG's fleet consists of vessels with either dual or trifuel propulsion systems, which both can run on boil-off gas from the LNG cargo when laden. When natural gas is cooled down to liquefied state at minus 160 degrees celsius, a certain amount of the LNG will naturally condensate and regasify into its gaseous state (boil off gas). The boil off gas is produced at a rate dependent on the outside temperature and the level of filling of the tanks, and can either be reliquified into LNG or used as fuel for propulsion of the vessels. Due to the cost and energy needed to power a reliquefaction process plant on a LNG carrier very few vessels are outfitted with such plants. The boil off gas is thus used for propulsion, which makes sense both economically, as natural gas is usually cheaper than the alternatives, and environmentally, as natural gas is a considerably cleaner fuel than heavy fuel oil and gasoil. Natural gas emits less CO2 than regular fuels, relatively low levels of NOx and almost no SOx and particulates. Based on both environmental and economic factors LNG fuelled vessels are considered by many as the future in shipping; LNG carriers have used LNG as a fuel since the start of the business in the 1970s. Also, the fleet is well prepared for future environmental regulations, such as Emission Control Areas (ECAs).

On ballast voyages the vessels run on ordinary heavy fuel oil or gasoil, or potential LNG cargo heel. As the vessels carry regular bunkers the potential for major environmental accidents mainly relate to the risk of a ship suffering a breach and subsequently

leak substantive amounts of bunkers oil into the environment.

The last potential impact is waste produced by the vessels, discharge of untreated ballast water and potential spills of chemicals, bilge water and sludge etc. into the environment. Discharge of untreated ballast water may potentially introduce non-native organisms into marine environments worldwide. IMO is in the process of ratifying regulations on this matter, which are expected to be effective in a few years.

# Company policies and objectives

Based on the long term goal of environmental excellence, and as set out in the Company's Safety Management & Environmental Protection Policy, Awilco LNG works toward minimising the environmental impact from its vessels with the goal of zero spills. The Company has adapted a zero tolerance policy towards:

- Spills to the environment
- Emissions of ozone depleting substances
- Unauthorised disposal of garbage or waste to the marine environment

Additionally Awilco LNG aims to minimise as far as practically possible the emission of CO2, NOx and SOx from diesel combustion engines, boilers, incinerators and emission cargo and fuel oil tanks and systems through evaporation.

Awilco LNG shall adhere to national and international environmental laws and regulations, and constantly promote best practices identified within its own operations and the industry in order to improve the impact on the environment.

# How we achieve our objectives

Our objectives are operationalised in the Company's Safety
Management & Environmental Protection Policy. The objective
of this policy is to ensure that the Company gives the highest
priority to the environment through the following measures:

Provide support to ships' operation by implementation
of a well-structured Safety Management System (SMS)
based on a well-defined management organisation.
The SMS is an integral part of all our activities,
and includes instructions and procedures which
contribute to the highest safety standards onboard our
ships, ensuring that cargo is handled correctly and
preventing situations which threaten the environment.
The SMS is based on national and international
requirements and standards for quality and safety,
including the ISM code and the TMSA issued by OCIMF

- Management of the fleet is certified according to ISO 14001, implemented in 2015
- Operate the vessels with continuously properly trained, informed and motivated crews
- Provide, equip and maintain the ships to the necessary standard as required by national regulation and international convention. As an example, both the WilForce and WilPride are built and specified to the highest standard and latest eco-friendly technology, and both are equipped with USCG approved ballast water treatment systems
- Establish contingency plans and execute drills and training to improve emergency preparedness to meet situations which represent dangers to life, health, environment, ship and cargo
- See to it that a safety management culture is implemented within the Company
- Use a reporting system for accidents, near accidents, non-conformities and improvements, with special attention to the learning effect through feedback of experience and suggestions for improvement
- Optimisation of hull and propeller cleaning intervals to reduce fuel consumption
- Implement a policy of environmentally friendly purchasing, where procurement and purchasing activities shall address environmental aspects, such as:

- o Reducing packaging volumes;
- Encouraging recycling activities; and
- Use of non-disposable and recyclable equipment and materials
- Use performing measures to continuously improve our operations

The same risk assessment procedures and continuous improvement tools and initiatives as described under Health and Safety above is utilised in Awilco LNG's work to reduce its environmental impact.

# Performance in 2015

The Company's senior management is actively engaged in monitoring Awilco LNG's performance, in order to further encourage and promote positive trends, to provide advice and to take corrective action where negative trends are detected. Performance and results are measured using certain Key Performance Indicators (KPIs). KPI targets are resolved by senior management on an annual basis, and results are reported to senior management on a quarterly basis. Procedures and any new initiatives shall be part of the management review and include monitoring and measurements, adjustment of targets, and recording of achieved improvements. The procedures and activities shall be audited on a routine basis. The following main KPIs are the focus of Awilco LNG with regards to environmental impact: (see table below)

KPI	DEFINITION	RESULT 2015	RESULT 2014
Number of releases of substances to	The number of releases of substances covered by	NIL	NIL
the environment	MARPOL Annex 1-6 to the environment		
CO2 efficiency	The total mass of emitted CO2 in grams per cargounit-mile	6.9	10.3
NOx efficiency	The total mass of emitted NOx in grams per cargounit-mile	0.07	0.03
S0x efficiency	The total mass of emitted SOx in grams per cargounit-mile	0.03	0.03

Compared to 2014 CO2 efficiency improved whereas NOx efficiency was reduced, both following lower utilisation of the fleet. In 2015 the Group was certified according to the ISO 14001 standard, which is expected to form the basis for continuous improvement of the Company's environmental footprint.

# Going forward

Building on improved environmental management systems implemented in 2015, Awilco LNG is aiming to continuously reduce the Company's environmental footprint.

# Anti-corruption

Company policies and objectives

Corruption is generally estimated to cost approx. 5 % of global GDP each year. Reduced corruption would increase safety for seafarers, reduce costs of operations and reduce complexity. Awilco LNG is a firm opponent of corruption in any form, and is committed to the highest ethical standard in business conduct worldwide. Awilco LNG desires fair and open competition in all markets, both nationally and internationally. Awilco LNG's policy is to comply with all applicable laws and governmental rules and regulations in the country in which it is operating.

How we achieve our objectives

The Company's anti-corruption policies are described in our Code of Ethics and Conduct document. The following policies to address the objectives have been implemented in the Company:

- No employee of the Company shall directly or indirectly offer, promise, give or receive bribe, illegal or inappropriate gifts or other undue advantages or remuneration in order to achieve business or other personal advantage
- Under no circumstances shall the Company or any of
  its employees be part of actions that breach applicable
  competition legislation. Any employee is to confer
  with his or her immediate superior, the executive
  management or the board if he or she has a question
  with respect to the possible anti-competitive effect
  of particular transactions or becomes aware of any
  possible violation of applicable competitive legislation

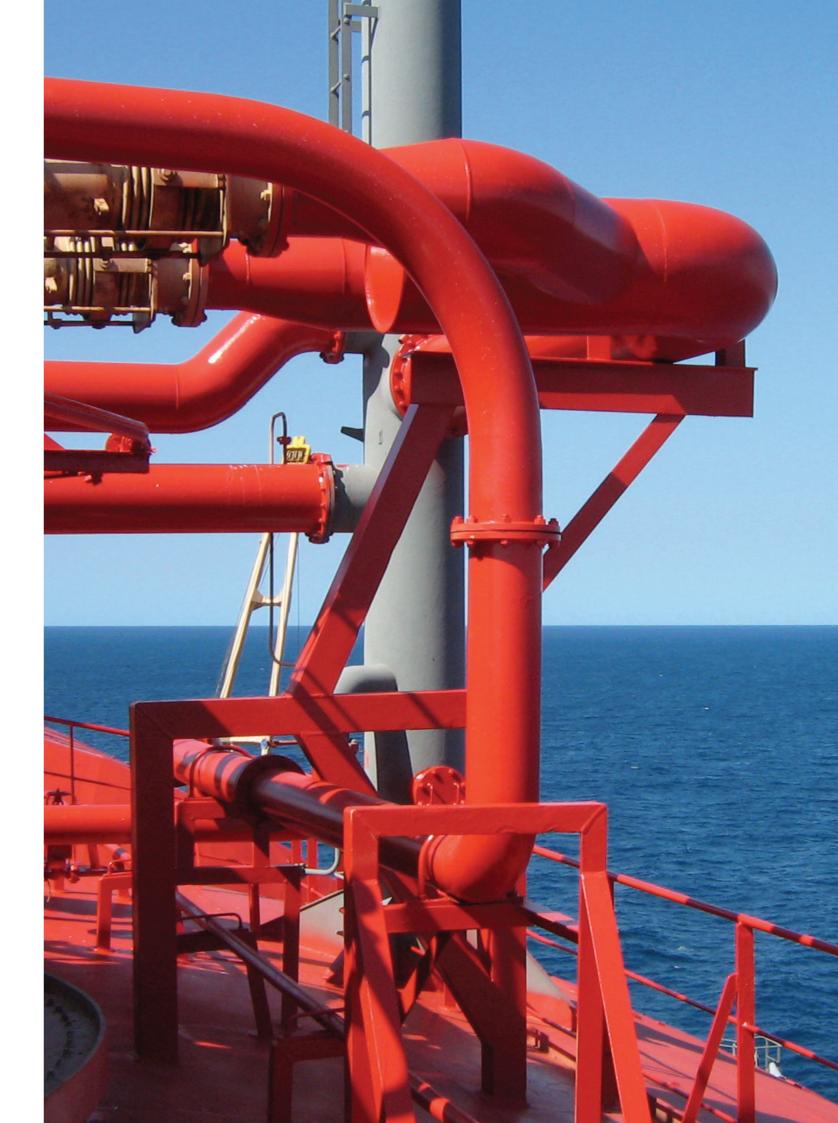
Implementation of the Company's policies takes place through emphasis on awareness and the use of risk assessments on a Group level.

Performance in 2015

Management has not become aware of any breaches of the Company's Code of Ethics and Conduct throughout the year.

# Going forward

Going forward Awilco LNG will continue work to ensure that our standards of behavior are according to the Code of Ethics and Conduct, and the Company expects that the positive results from 2015 are upheld.





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