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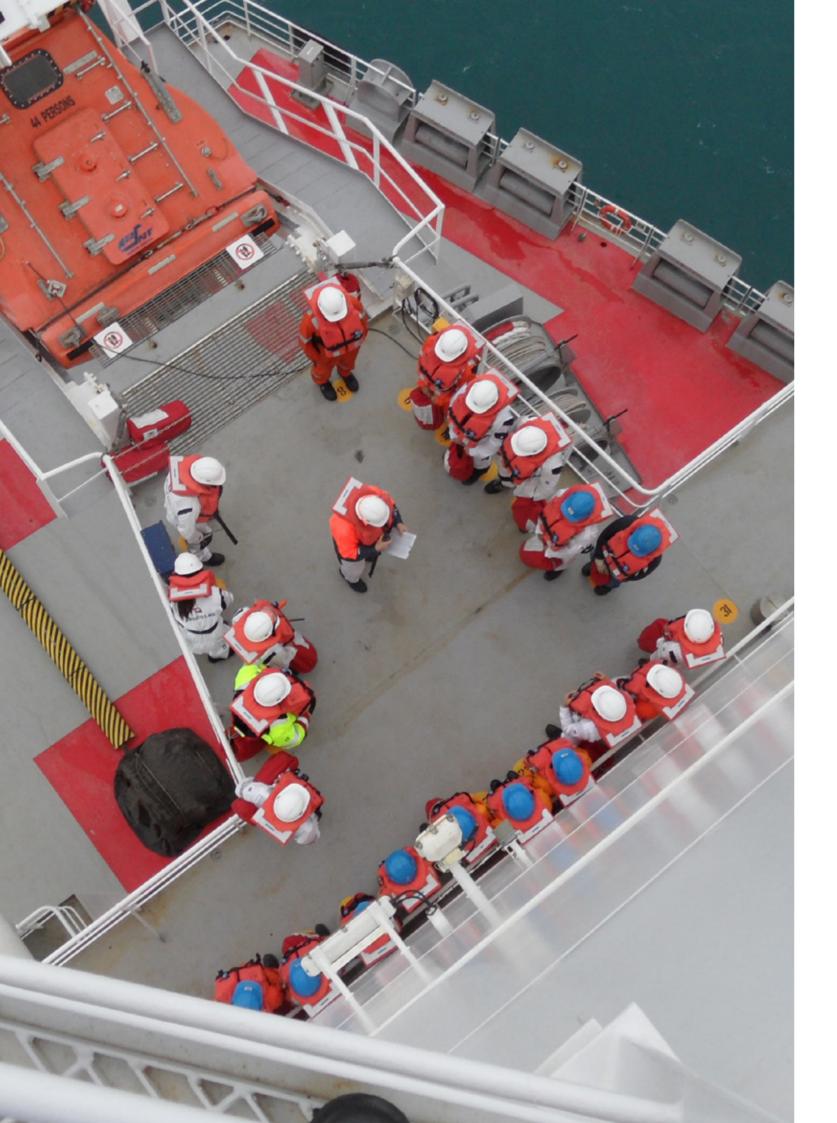
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Design and layout: BIG FISH



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. Awilco LNG has an industrial approach and a long-term commitment to the LNG sector.

Awilco LNG's fleet is technically and commercially managed from 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 second-hand LNG vessels.

The three LNG vessels WilGas, WilPower and WilEnergy were acquired for an aggregate price of USD 67 million in 2011, and were financed through private placements in addition to

shareholder loans that were subsequently converted to equity. WilPower was sold in 2015 for net proceeds of USD 17.8 million, and WilGas and WilEnergy were sold in 2016 for net proceeds of USD 32.2 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.

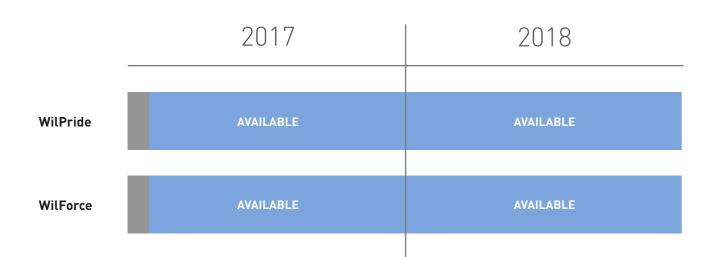
On 6 September 2011, the Company's shares were listed at the Oslo Stock Exchange under the ticker ALNG.

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.

AWILCO LNG ASA ANNUAL REPORT 2016



CONTRACT COVERAGE



WILFORCE

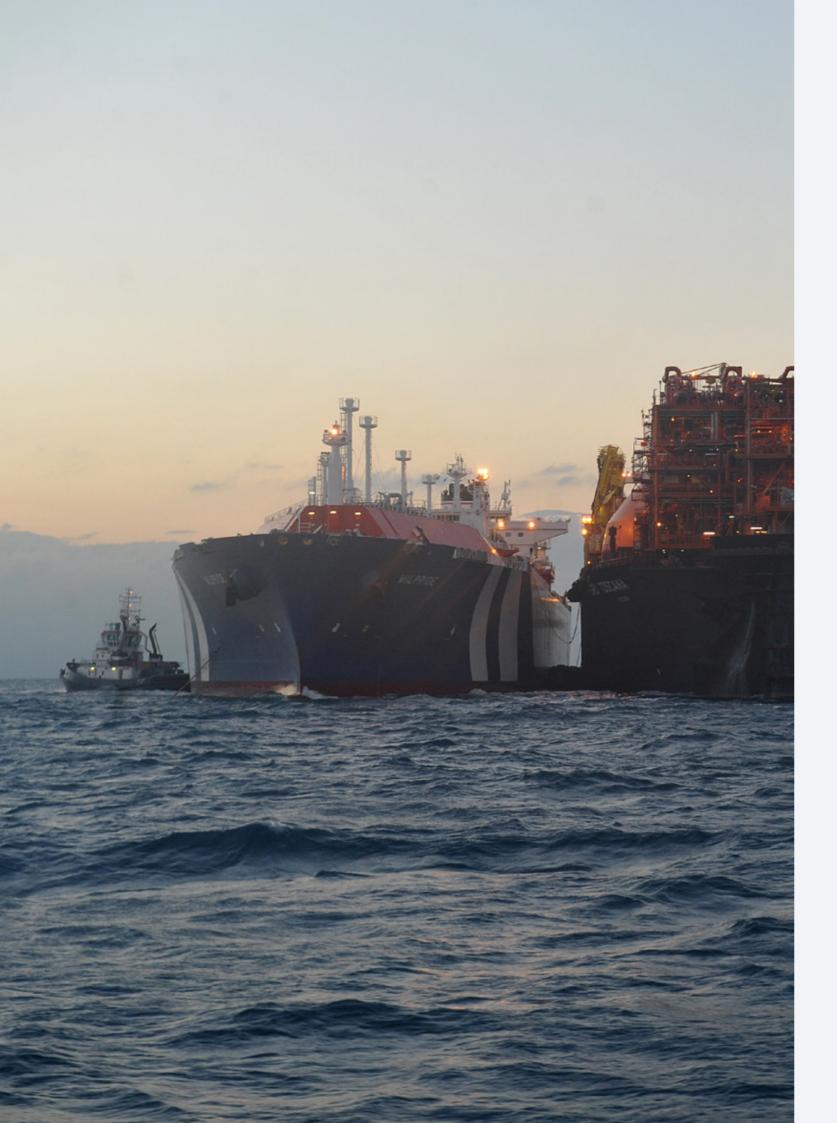
Was delivered from DSME on 16 September 2013. On 24

January 2014, she was delivered to an oil and gas major on a three year contract, and was redelivered on 26 December 2016. The vessel is trading in the spot market.

WILPRIDE

Was delivered from DSME on 28 November 2013. The vessel is trading in the spot market.

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ORGANISATION

MANAGEMENT

Awilco LNG had eight employees at the end of 2016. 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 Awilco Technical 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 25 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 and Finnlines Plc. 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 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 followed by 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.

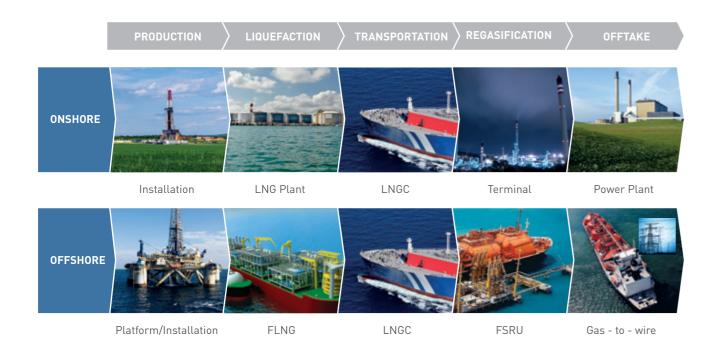
Onshore transportation of natural gas is generally through pipelines, while offshore transportation is in purpose designed cryogenic LNG vessels after the natural gas has been cooled down and liquefied.

In regasification terminals or -vessels the LNG 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.

Natural gas has become an important source of energy as its 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



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. 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 413 vessels at the end of 2016 according to Fearnley LNG. 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.

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 2016 Colombia was added to the growing list of countries with LNG import capacity, through deployment of a FSRU.

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. A total of 274 spot fixtures were recorded in 2016, compared to 168 in 2015. 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/XDF dual fuel two stroke engines, which are even more fuel efficient than the TDFE engines. The first MEGI outfitted vessels were delivered in 2016.

According to LNG shipbrokers, the LNG fleet counted 97 vessels above 100,000 cbm in 2001, whereas at the end of 2016 the fleet consisted of 413 vessels, of which about 305 membrane vessels. During 2016 27 vessels were delivered corresponding to an increase of 7 % year-on-year.

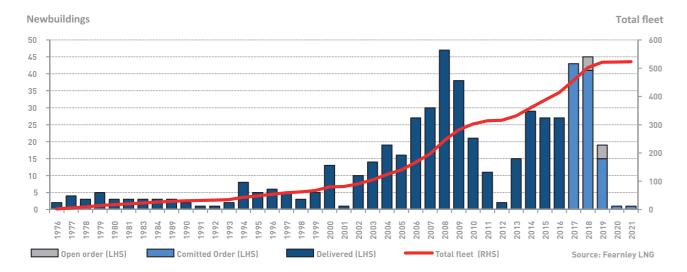
At the beginning of 2017 the orderbook for LNG carriers (excluding FSRU and FLNG) above 100,000 cbm was 109 vessels, of which only 7 were available for contract. In 2017 43 vessels are scheduled for delivery, in 2018 45 vessels and in 2019 19 vessels according to shipbrokers. Unless the market rates improve, it is expected that deliveries of some vessels may be delayed for a period of time.

There are currently eight yards with registered LNG vessels on order, the largest being DSME with 46 vessels followed by Samsung and Hyundai Heavy Industries with 15 and 13 respectively. The remaining yards are Mitsubishi, Hudong, Kawasaki, Imabari and JMU. Construction time for an LNG carrier is two and a half to three years, and thus new orders will not be delivered until H2 2019.

The design life of a modern LNG carrier is 40 years. At the end of 2016 26 vessels were older than 30 years. A weak market combined with lower efficiency of older tonnage and the need 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 or cold lay-up may increase over the next years.

There is currently an oversupply of vessels in the market. However, based on the existing liquefaction capacity, new capacity under construction, the current fleet and orderbook, analysts expect the vessel overcapacity to gradually be absorbed. From 2019 market analysts expect that the existing orderbook and fleet is most likely not sufficient to cover shipping demand from new liquefaction plants under construction.

LNG fleet (>100,000 cbm) development and orderbook, excl. FSRU and FLNG



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 was limited. This resulted in a weak market trend from 2012.

The falling rate trend continued to the summer of 2016, until rates were reported about USD 29,000 per day for TFDE vessels and USD 16,000 per day for steam vessels. In addition to low rates the utilisation was weak, resulting in effective market rates much below the reported rates. Along with increased LNG production, the rates and activity gradually increased during the second half of 2016. At the end of 2016 rates for steam vessels were reported by brokers at about USD 23,000 per day while the TFDE vessels rates were at USD 41,500 per day, including improved ballast bonus terms.

At the beginning of 2017 the activity level declined, leading to an increasing number of available vessels and weaker rates.

LNG charter rates



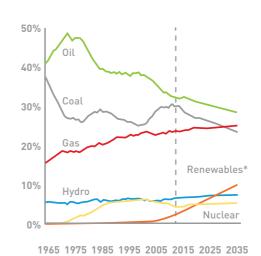
LNG DEMAND

According to BP's Energy Outlook 2017:

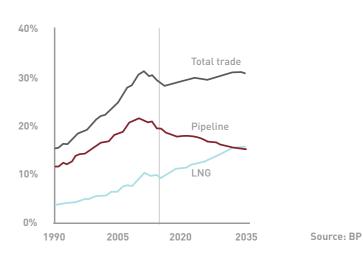
- Natural gas consumption is expected to grow faster than oil or coal, growing by 1.6 % p.a. between 2015 and 2035.
- The LNG trade is expected to grow seven times faster than pipeline gas trade, and by 2035 may account for around half of all globally traded gas – up from 32 % in 2016.

Asia remains the largest destination for LNG. China, India and other Asian countries all increase their demand for LNG, causing gas to grow faster than both oil and coal in these economies.

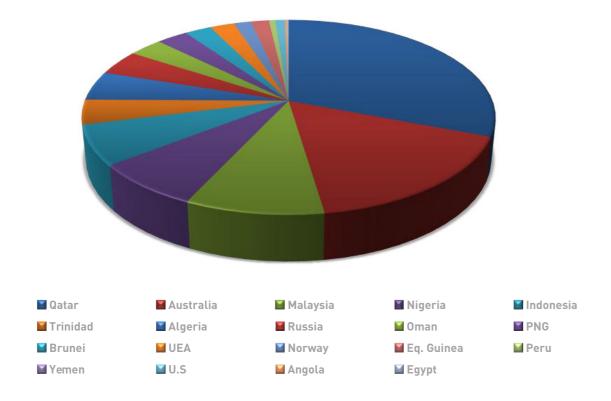
Shares of primary energy



Trade as share of global consumption



2016 Produced LNG



Source: IGU and Clarkson Platou

Asia is the main destination for LNG, with its share of global LNG demand at 70 %. The largest importer in 2016 was Japan with 83 MT, representing a decline of about 2 % from 2015. The second largest importer was South-Korea, importing about 33 MT in 2016, same as in 2015. Following South-Korea was China, importing 26.3 MT, an increase of about 34 % compared to 2015. China's demand is expected to further 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. Furthermore, India increased its imports by 22 % in 2016, reaching a total import volume of 18.8 MT. European imports continued to increase in 2016, and reached a total import volume of 39 MT, an increase of 4 % compared to 2015.

LNG SUPPLY

The worldwide LNG trade increased with 17.5 MT to about 262 MT in 2016. Eight new liquefaction plants commenced production in 2016, with a total combined nameplate production of 41 MTPA. The ramp-up period is expected to be about 6 months, and thus full effect of the increased production capacities will not materialise before well into 2017.

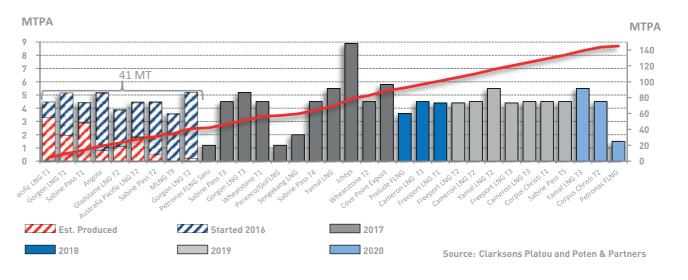
In 2016 there were 19 LNG exporting countries. The largest

producer by far was Qatar, producing 80 MT, which is a modest increase of 3 % from the previous year. The largest growth contributor was Australia with an increase of 14 MT corresponding to a 33 % increase from 2015, reaching 44 MT in 2016.

LNG production capacity is set to continue to grow substantially going forward. There are 11 liquefaction trains scheduled for start-up in 2017, almost one per month on average. The total nameplate production capacity from the 2017 start-ups is estimated at 47 MTPA, bringing the world liquefaction capacity to about 390 MTPA by the end of 2017. In total there is 109 MTPA of new LNG production capacity under construction scheduled

for completion by 2020. As a result of the massive LNG capacity increase, Australia is set to surpass Qatar as the largest LNG producer, and the US is expected to become one of the largest LNG producers in the world. There are currently seven U.S. LNG production facilities either producing or under construction which have been approved for non-FTA export, with an estimated nameplate production capacity of about 64 MTPA.

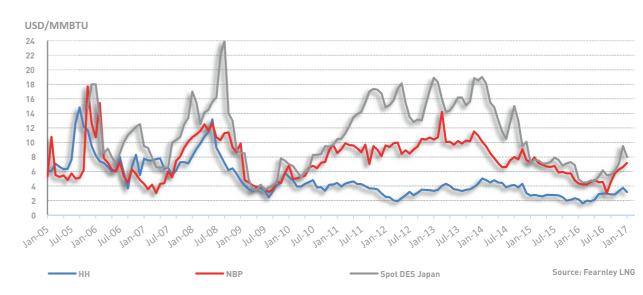
LNG production capacity under construction



LNG PRICES

The Asian spot LNG prices started a falling price trend in in the middle of 2014 and reached a low of USD 4.5 / MMTBU in the spring of 2016, the lowest level in more than 10 years. The Far East gas price improved steadily during the rest of the year and reached USD 9.5 / MMTBU at the end of 2016. The US HH price increased from USD 2.149 / MMBTU at the start of the year to USD 3.74 / MMBTU, while the UK NBP increased from USD 4.35 / MMBTU to USD 6.63 / MMBTU in the same period. In Q1 2017 the Far East gas price declined, resulting in reduced arbitrage opportunities.

LNG Prices



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VESSEL OVERVIEW

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

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





SHAREHOLDER INFORMATION

Awilco LNG share price development (ticker: ALNG)

ALNG - Share price development



TOP 20 SHAREHOLDERS (AS PER 31.12.2016)

OWNERSHIP SHAREHOLDER/	NUMBER OF SHARES	OWNERSHIP	SHAREHOLDER/ NUMBER OF SHARES
35.6 %	AWILCO AS 24 114 080	1.2 %	MP PENSJON PK 836 800
8.7 %	HOME CAPITAL AS 5 887 236	1.2 %	TVENGE TORSTEIN INGV 830 000
7.8 %	ASTRUP FEARNLEY A/S 5 260 050	1.2 %	SKIPS A/S TUDOR 781 429
7.6 %	UTHALDEN A/S 5 135 050	1.0 %	PATRONIA AS 700 138
5.4 %	INVESCO PERPETUAL EU 3 686 492	0.9 %	FIDUCIA AS 641 850
3.9 %	SPENCER TRADING INC 2 663 700	0.7 %	HELMER AS 500 000
3.0 %	CREDIT SUISSE SECURI 2 035 000	0.7 %	CAMACA AS 500 000
2.9 %	CITIBANK, N.A. 1 950 356	0.7 %	MØRCK PER JACOB 500 000
2.4 %	ODIN ENERGI 1 652 041	0.7 %	KLP AKSJENORGE 477 987
2.1 %	GLAAMENE INDUSTRIER 1 456 683	10.4 %	OTHER SHAREHOLDERS 7 065 996
1.6 %	INVESCO FUNDS 1 113 986		

BOARD OF DIRECTORS' REPORT



BOARD OF DIRECTORS' REPORT

The first half of 2016 faced low utilisation and weak rates in line with 2015. Along with new LNG production capacity starting up the market improved, and both utilisation and rates developed positively throughout the second half. Although the market improved, rates were still significantly below breakeven and average historical rates. At the beginning of 2017 the activity level declined, leading to an increasing number of available vessels and weaker rates.

The LNG trade is estimated to have increased by 7 % in 2016, from 245 MT in 2015 to 263 MT in 2016, the highest percentage increase since 2011. The number of spot fixtures increased by 67 % compared to 2015. A total of 41 MTPA of new LNG production capacity was added, of which 17 MT was actually produced.

A further 47 MTPA of new LNG production capacity is scheduled to come on stream in 2017. The volatility and seasonality in LNG shipping rates and utilisation is expected to continue, but as additional production is coming on stream the current vessel overcapacity is expected to gradually be absorbed, resulting in an improving market throughout the year.

As a result of WilPride trading in a weak spot market the earnings for Awilco LNG were not satisfactory in 2016.

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. 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 2016 the Company owned four vessels, of which one employed on a medium-term contract, one in the spot market and two in cold lay-up. The TDFE vessel WilPride traded in the spot market in 2016, achieving an utilisation of 59 % for the full year (49 % in 2015) and a total utilisation of 66 % since delivery in November 2013.

The 1st generation vessels WilGas and WilEnergy were in coldlay up until they were sold and delivered to their new owner in August 2016. WilForce was employed on medium term contract until she was redelivered in December 2016, and both TFDE vessels were trading in the spot market year end 2016. 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 2016 at USD 30,000 per day and ended the year at about USD 42,000 per day. Average spot rate per day for the year was USD 33,451, down from USD 36,076 in 2015.

The LNG trade increased by an estimated 7 % compared to 2015. Estimated trade was 263 MT in 2016, up from 245 MT in 2015. Eight new liquefaction trains commenced production in 2016; Australia Pacific T1 and T2, Sabine Pass T1 and T2, Gorgon T1 and T2, Gladstone LNG T2 as well as Petronas MLNG T9. Additionally, Angola T1 re-started production after a shutdown of more than two years. The total combined nameplate production capacity from the new LNG trains was about 41 MTPA. The ramp-up time to nameplate capacity is estimated to be about 6 months on average, resulting in a full effect of the capacity increase entering the market in 2017.

In 2017 there are 11 liquefaction trains scheduled for start-up with a combined nameplate capacity of about 47 MTPA.

Due to the weak market for LNG shipping in 2016, newbuilding ordering activity was at a low level during throughout the year.

In total 5 newbuildings were ordered compared to 20 in 2015 and 55 in 2014.

At the end of 2016 the orderbook for vessels larger than 100,000 cbm stood at 109 LNG carriers, corresponding to about 26 % of the world-wide fleet. 27 vessels were delivered in 2016 and 43 are scheduled for delivery in 2017, all committed to contract.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

Freight income for the year amounted to USD 34.8 million (USD 37.4 million). The decrease was due to weak market rates in the first half of 2016 and a reduction in the fleet. Fleet utilisation for the Company ended at 79 %, compared to 61 % in 2015 (trading vessels).

Voyage related expenses were USD 2.8 million in 2016 compared to USD 4.9 million in 2015. The lower voyage costs in 2016 were mainly due to WilGas positioning to lay-up in 2015.

Operating expenses for the year were USD 8.7 million compared to USD 12.7 million in 2015, reflecting the sale of WilGas and WilEnergy in mid-2016.

Administration expenses were recorded at USD 3.5 million in 2016, a decrease from USD 4.0 million in 2015. The decrease was mainly an effect of strict cost control measures implemented in 2016 in addition to depreciation of NOK vs USD.

EBITDA for the year was USD 19.8 million compared to MUSD 15.8 in 2015.

Depreciation and amortisation was USD 12.9, down from USD 16.6 million in 2015 following the sale of WilGas and WilEnergy in mid-2016.

Impairment losses of USD 6.6 million were recognised in 2016 (USD 11.5 million in 2015), which were related to the sale of WilGas and WilEnergy. See note 11 in the consolidated financial statements for further details.

Net finance expense was USD 23.2 million (USD 24.0 million), of which USD 23.2 million (USD 24.1 million) was interest charges on the WilForce and WilPride lease obligations.

Loss before tax was USD 22.8 million compared to USD 36.3 million in 2015.

Income tax expense for the year was NIL compared to USD 4 thousands in 2015.

Loss for the period was USD 22.8 million compared to USD 36.3 million in 2015

Earnings per share

Basic and diluted earnings per share for the year were negative with USD 0.34, compared to negative USD 0.54 in 2015.

Financial position

As at 31 December 2016 the Group's total assets were USD 408.4 million (USD 445.5 million).

The book value of vessels was USD 371.8 million (USD 422.5 million). The decrease reflects ordinary depreciation of USD 12.9 million (USD 16.5 million) and the sale of WilGas and WilEnergy mid-year 2016.

Current assets were USD 36.4 million (USD 22.8 million), of which trade receivables were USD 0.6 million (USD 2.5 million), cash was USD 30.0 million (USD 17.3 million) and other short term assets was USD 4.0 million (USD 1.2 million). USD 3.0 million of the increase in other short term assets reflects a temporary decrease in prepayments on the WilForce and WilPride monthly lease payments at end of 2015.

Non-current liabilities were USD 259.3 million (USD 273.0 million), of which the WilForce and WilPride lease liabilities were USD 259.0 million (USD 272.8 million). The WilPride financial lease commenced in November 2013, and is for four years plus a one year unconditional option in Awilco LNG's favour. As the facility can be extended until November 2018 it is presented as a non-current liability as at 31 December 2016.

Current liabilities were USD 16.3 million (USD 16.9 million), of which USD 13.8 million related to the short term portion of the WilForce and WilPride lease liabilities (USD 12.8 million), USD 0.9 million was trade payables (USD 0.3 million) and USD 1.6 million provisions and accruals (USD 3.8 million). There was no deferred revenue recognised in provisions and accruals as at 31 December 2016 (USD 2.4 million).

Total equity at the end of the year was USD 132.8 million (USD 155.6 million), corresponding to a book equity ratio of 33 % (35 %).

Cash flow statement

In 2016 the Group had a positive cash flow from operating activities of USD 19.6 million (USD 11.8 million). Net cash provided from investing activities was USD 32.1 million (USD 17.5 million), which was related to the sale of WilGas and WilEnergy. Net cash used in financing activities amounted to

USD 39.0 million (USD 32.8 million), mainly related to payment towards the WilForce and WilPride financial lease obligations.

Cash at the end of the year was USD 30.0 million (USD 17.3 million)

PARENT COMPANY FINANCIAL STATEMENTS

Operating income for the year amounted to NOK 6.4 million (NOK 7.8 million) and administration expenses NOK 20.4 million (NOK 20.5 million). Reversal of previous impairment losses on shares in subsidiaries amounted to NOK 36.6 million (impairment losses of NOK 80.8 million). The reversals were

Net finance income amounted to NOK 33.3 million (NOK 20.5 million).

Profit for the period was NOK 55.7 million (loss of NOK 73.3 million).

The Board of Directors proposes that the profit for the period of NOK 55.7 million for the Parent Company is allocated to retained earnings.

The Board will propose to the General Meeting 26 April 2017 that there will be no dividend distributed for the fiscal year 2016.

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. As a result of the current weak market for LNG shipping, resulting in risk concerning sufficient liquidity throughout 2017, there is uncertainty with respect to this assumption.

After a steady improvement in rates and utilisation in the second half of 2016, the LNG shipping market weakened unexpectedly in the beginning of 2017. Both rates and utilisation so far in 2017 have been significantly below Awilco LNG's expectations. Due to the difficult spot market conditions, there is a risk that the Group will not have sufficient liquidity throughout 2017. The Group is therefore evaluating its capital structure and is exploring various options to safeguard liquidity, including initiating discussions with the key stakeholders to provide the necessary stability in the current difficult market environment. The Board of Directors expects that this process will enable the Group to continue as a going concern, and on this basis, the Board of Directors confirms that it is correct to prepare the accounts on a going concern assumption.

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The Group believes the long-term outlook for the LNG shipping market is positive, but if the outcome of the process described above is not successful, the Company's assets may be realised at values significantly below the current carrying values.

Forecasting the market involves a high degree of uncertainty. Please see the liquidity risk section below, and note 20 and 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 2012 to 2015 there was an ordering boom in the LNG transportation market which resulted in a general excess supply of vessels, which combined with limited growth in LNG trade resulted in suppressed market both in terms of low rates and low utilisation.

In 2016 the growth in the LNG trade improved to 7 %, the highest since 2011. This had a positive effect on market rates for LNG vessels, but due to the existing oversupply of vessels, the market is still not in balance and rates are below both breakeven and historical averages. The LNG trade has been growing steadily, but periods of low activity introduces volatility in LNG spot shipping rates. Although market rates increased in the second half of 2016 following increased LNG trade, lower activity in Q1 2017 resulted in weaker rates in Q1 2017. In 2017 43 vessels are scheduled for delivery, all committed to contract. The yard capacity is fully booked, and therefore the orderbook for the near future will not increase.

Projecting the supply of LNG involves 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.

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 differences between different geographic markets, thereby increasing demand for LNG transportation to execute arbitrage opportunities. In 2015, the price spread between West and East levelled out and thus the arbitrage opportunities diminished. This led to a decrease in transport distance of about 4 % in 2015, which negatively impacted the LNG shipping market. As further LNG production in Australia came on stream, this trend continued in 2016. The arbitrage possibility going forward is difficult to predict as it is closely linked to the gas price level in both Europe and Far East, which is highly dependent upon several factors; including weather/temperature and the price of alternative energy sources.

When further production capacity from the U.S. comes online over the next 3-4 years, it is expected that the ton-mile is set for improvement.

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 carrier fleet will increase over the coming years, and exposes 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 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 vessel values, market rates for the vessels as well as the contract status.

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, employees' safety or risking damage to the Group's reputation.

After a steady improvement in rates and utilisation in the

second half of 2016, the LNG shipping market weakened unexpectedly in the beginning of 2017. Both rates and utilisation so far in 2017 have been significantly below Awilco LNG's expectations. Due to the difficult spot market conditions, there is a risk that the Group will not have sufficient liquidity throughout 2017. The Group is therefore evaluating its capital structure and is exploring various options to safeguard liquidity, including initiating discussions with the key stakeholders to provide the necessary stability in the current difficult market environment. Forecasting the market involves a high degree of 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 2016 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

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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 1.4 % in 2016 (2.2 % in 2015). No work related injuries were reported during the year for shore-based employees. For seafarers, no LTIFs (number of accidents per one million-man hours worked) were reported during the year, same as in 2015.

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 vessel acquisitions and disposals which best complement the Group's financial and operational aspirations.

OUTLOOK

After two years with a very weak LNG shipping market, the market showed improvements in the second half of 2016. The start-up of new LNG production facilities, the increased LNG trade and the increased number of spot market fixtures absorbed the overcapacity of LNG vessels, resulting in an improved market environment.

In 2017 the scheduled new LNG nameplate production growth capacity is estimated to be about 47 MTPA or approximately 14 %. However, production capacity is exposed to the risk of delays, as well as a 6-month minimum ramp-up period until nameplate capacity is reached. 43 newbuildings are scheduled for delivery in 2017, corresponding to a 10 % growth of the fleet. As in 2016 several deliveries are expected to be delayed in 2017 as well. After a steady improvement in rates and utilisation in the second half of 2016, the LNG shipping market has substantially weakened in 2017, both in terms of rates and low utilisation. The volatility and seasonality in LNG shipping rates and utilisation is expected to continue, but as additional production is coming on stream the current vessel overcapacity is expected to gradually be absorbed, resulting in an improving market during the year. However, the Company does not expect a significant improvement in the market until the second half of 2017.

Due to the difficult spot market conditions, there is a risk that the Group will not have sufficient liquidity throughout 2017. The Group is therefore evaluating its capital structure and is exploring various options to safeguard liquidity, including initiating discussions with the key stakeholders to provide the necessary stability in the current difficult market environment. Awilco LNG is continuing to pursue cost reductions in order to preserve competitiveness through the market cycle, and is continuously evaluating all commercial opportunities.

The long-term outlook for LNG is positive. Going forward natural gas is expected to increase its share in the world's energy mix. Natural gas is forecasted to 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.

Oslo, 29 March 2017

Sigurd E. Thorvildsen Chairman of the Board

Jon-Aksel Torgersen

Amett Maln Justad

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STATEMENT OF RESPONSIBILITY

We confirm to the best of our knowledge that the consolidated financial statements for 2016 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 2016 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, 29 March 2017

Sigurd E. Thorvildsen Chairman of the Board

Jon-Aksel Torgersen
Board member

Annette Malm Justal

Henrik Fougner
Board member

Symus Syrist
Board member

Jon Skule Storheill





CONSOLIDATED INCOME STATEMENT

In USD thousands, except per share figures

	Note	2016	2015
		0.4.77.0	07.05/
Freight income	4,5	34 769	37 354
Voyage related expenses	6	2 808	4 873
Net freight income		31 961	32 481
	_		
Operating expenses	7	8 658	12 690
Administration expenses	8	3 474	3 961
Earnings before interest, taxes, depr. and amort. (EBITDA)		19 829	15 831
Depreciation and amortisation	11	12 903	16 583
Impairment of vessels	11	6 569	11 548
Earnings before interest and taxes	11	357	(12 300)
La mings perore interest and taxes		337	(12 300)
Finance income	17	105	211
Finance expenses	17	23 260	24 183
Net finance income/(expense)		(23 156)	(23 972)
Profit/(loss) before taxes		(22 798)	(36 272)
Income tax expense	10	-	[4]
Profit/(loss) for the period		(22 798)	(36 276)
Earnings per share in USD attributable to ordinary equity holders of Awilco LNG ASA:		4	4
Basic, profit/(loss) for the period	9	(0.34)	(0.54)
Diluted, profit/(loss) for the period	9	(0.34)	(0.54)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOMPREHENSIVE INCOMP	4E		
Profit/(loss) for the period		(22 798)	[36 276]
Other comprehensive income:			
Other comprehensive income items		-	-
Total comprehensive income/(loss) for the period		(22 798)	(36 276)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In USD thousands

	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Vessels	11	371 847	422 506
Other fixed assets	11	94	124
Total non-current assets	11	371 941	422 630
Total Ion Carrent assets		071741	422 000
Current assets			
Trade receivables	12	552	2 460
Inventory	13	1 847	1 911
Other short term assets	14	3 983	1 154
Cash and cash equivalents	15	30 047	17 299
Total current assets		36 430	22 823
TOTAL ASSETS		408 371	445 454
EQUITY AND LIABILITIES			
Equity			
Share capital	19	48 420	48 420
Share premium		126 463	126 463
Retained earnings		[42 118]	(19 320)
Total equity		132 764	155 563
Non-current liabilities			
Pension liabilities	8	301	215
Long-term interest bearing debt	22	258 984	272 804
Total non-current liabilities		259 285	273 019
Current liabilities			
Short-term interest bearing debt	22	13 820	12 752
Trade payables		904	332
Income tax payable	10	-	4
Provisions and accruals	16	1 598	3 783
Total current liabilities		16 322	16 872
TOTAL EQUITY AND LIABILITIES		408 371	445 454

Chairman of the Board

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2016

In USD thousands	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2016	48 420	126 463	[19 320]	155 563
Profit/(loss) for the period	-	-	(22 798)	(22 798)
Other comprehensive income for the period	-	-	-	
Total comprehensive income	-	-	(22 798)	(22 798)
Balance as at 31 December 2016	48 420	126 463	(42 118)	132 764
For the period ended 31 December 2015	Share	Share	Retained	Total
In USD thousands	capital	premium	earnings	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

CONSOLIDATED CASH FLOW STATEMENT

In USD thousands

	Note	2016	2015
Cash Flows from Operating Activities:			
Profit/(loss) before taxes		(22 798)	(36 272)
Income taxes paid	10	[12]	[49]
Interest and borrowing costs expensed	17	23 189	24 146
Items included in profit/(loss) not affecting cash flows:			
Depreciation and amortisation	11	12 903	16 583
Impairment of vessels	11	6 569	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		1 315	(218)
Trade payables, provisions and accruals		(1 517)	(4 022)
i) Net cash provided by / (used in) operating activities		19 649	11 760
Cash Flows from Investing Activities:			
Investment in vessels	11	(99)	(333)
Proceeds from sale of vessels	11	32 185	17 764
Proceeds from sale of other fixed assets	11	-	89
ii) Net cash provided by / (used in) investing activities		32 085	17 521
Cash Flows from Financing Activities:			
Repayment of borrowings	22	(13 882)	(10 743)
Interest and borrowing costs paid		(25 103)	(22 058)
iii) Net cash provided by / (used in) financing activities		(38 985)	(32 801)
Net change in cash and cash equivalents (i+ii+iii)		12 749	(3 519)
Cash and cash equivalents at start of period		17 299	20 819
Cash and cash equivalents at end of period	15	30 047	17 299

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.

The consolidated financial statements for the period ended 31 December 2016 were authorised for issue by the Board of Directors on 29 March 2017 and will be presented for approval at the Annual General Meeting on 26 April 2017.

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 2016. 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 vears

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 of 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 it is not practicable to determine the carrying amount of the replaced part, the cost of the replacement is used as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

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 and luboil 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 whole:

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 2016, the vessels had a carrying value of USD 371.8 million, and a total residual value was estimated at USD 24 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 market.

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 2016, the vessels had a carrying value of USD 371.8 million. Please see note 11 for further information on impairment of vessels.

NOTE 4 // FREIGHT INCOME

Freight income	2016	2015
WilForce	28 714	28 918
WilPride	6 055	7 646
WilGas (sold 2016)	-	791
WilPower (sold 2015)	-	-
WilEnergy (sold 2016)	-	-
Total freight income	34 769	37 354

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 0.2 in 2015). 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 2017 based on firm charter contracts:

Contracted future freight income	< 6 mon.	6 mon 1 yr	> 1 yr	Total
WilForce	1 910	-	-	1 910
WilPride	695	-	-	695
Total contracted future freight income	2 605	-	-	2 605

NOTE 5 // SEGMENT INFORMATION

The Group currently owns and operates two 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 NIL in 2016 (MUSD 2.3 in 2015).

Information about major customers

In 2016 the Group had one major customer contributing with more than 10 % of the Group's revenues at 82 % of total revenue, compared to two in 2015 contributing 10 and 77 %.

NOTE 6 // VOYAGE RELATED EXPENSES

Voyage related expenses	2016	2015
Bunker consumption	1 871	4 079
Commissions	416	425
Other voyage expenses	520	369
Total voyage related expenses	2 808	4 873

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	2016	2015
Crew expenses	5 223	7 603
Other operating expenses	2 490	3 862
Insurance expenses	912	1 187
Tonnage tax	33	39
Total operating expenses	8 658	12 690

In 2016 the total number of vessel trading days were 732 (937 in 2015), in addition to 458 lay-up days (735 in 2015).

Number of seafarers	2016	2015
Seafarers year end	56	76

NOTE 8 // ADMINISTRATION EXPENSES

Administration expenses	2016	2015
Salaries and other remuneration	1 308	1 204
Social security cost	219	269
Pension	148	151
Other employee related expenses	19	29
Total employee related expenses	1 694	1 654
Management fees	979	1 199
Consultant, legal and auditor's fees	125	231
Other administrative expenses	676	877
Total administration expenses	3 474	3 961

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	2016	2015
Onshore employees year end	8	8
Average number of onshore work years	7.6	8.8

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 2016 the pension liability for the Group was KUSD 301 (31 December 2015 KUSD 215).

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 in 2013, whereby all vested options have to be declared within two years from the vesting date.

NOTE 8 // ADMINISTRATION EXPENSES CONT

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

The 457 925 options granted in December 2011 and 143 427 options granted in April 2012 expired in August 2016, and as at 31 December 2016 a total of 734 425 granted options were outstanding in the synthetic option programme.

Outstanding as of year end	2016	2015
Range of exercise price (NOK)	16.00 - 24.00	16.00 - 24.00
Weighted exercise price (NOK)	18.26	19.14
Number of options	734 425	1 335 777
Weighted average remaining contractual life (years)	1.16	1.48

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	2016	2015
Share price (NOK)	6.85	3.90
Expected life (years)	1.16	1.48
Volatility	60 %	60 %
Risk free interest rate	0.61 - 0.72 %	0.59 - 0.73 %
Weighted fair value per option (NOK)	0.29	0.08
Option liability and expense	2016	2015
Carrying value liability	24	10
Option expense	15	(215)
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 2016 or 31 December 2015.

Earnings per share	2016	2015
Profit/(loss) for year attributable to ordinary equity holders (KUSD)	(22 798)	(36 276)
Weighted average number of shares outstanding, basic and diluted	67 788 874	67 788 874
Basic/diluted earnings per share (USD)	[0.34]	(0.54)

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 1 AS, Awilco LNG 2 AS and Awilco LNG 3 AS are subject to ordinary corporation tax in Norway.

Income tax expense	2016	2015
Current income tax	-	4
Changes in deferred tax	-	-
Total income tax expense / (income)	-	4
Specification of basis for deferred tax	31.12.16	31.12.15
Other fixed assets	(15)	(23)
Provisions and accruals	24	10
Gain/loss account	4 241	3 761
Pension liabilities	301	215
Currency effects on long term debt	5 557	4 833
Tax loss carry forward	8 861	4 980
Basis for deferred tax asset / (liability)	18 969	13 776
Not recognised deferred tax assets (basis)	[18 969]	(13 776)
Basis for deferred tax asset / (liability)	-	
Tax rate *	24 %	25 %
Deferred tax asset / (liability)	-	

^{*} As of 1 January 2017 the tax rate in Norway was reduced from 25 % to 24 %.

NOTE 10 // INCOME TAXES CONT

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	2016	2015
Profit/(loss) before taxes	(22 798)	[36 272]
Tax based on ordinary tax rate [25 % in 2016, 27 % in 2015]	(5 700)	(9 793)
Effects from:		
Loss subject to tonnage tax	335	17 769
Permanent differences	(898)	(2 186)
Not recognised deferred tax asset	1 186	1 384
Currency effects	5 078	[7 244]
Effect of change in tax rate	-	75
Total income tax expense / (income)	-	4
Income tax payable	2016	2015
Current tax payable recognised in income statement	-	4
Current tax payable recognised directly in equity	-	-
Total income tax payable	-	4

NOTE 11 // VESSELS AND OTHER FIXED ASSETS

Vessels		2016	2015
Cost at beginning of period		474 739	497 822
+Capitalised upgrades, spare parts and replace	ements	99	333
-Disposals		[60 454]	(23 415)
Cost as of 31 December		414 385	474 739
Accumulated depreciation and impairment at b	peginning of period	52 233	30 707
-Depreciation		12 873	16 545
-Disposals		(22 568)	(3 378)
-Impairment		-	8 359
Accumulated depreciation and impairment as	of 31 December	42 538	52 233
Carrying amount as of 31 December		371 847	422 506
Estimated useful lifes			
Vessel main com	ponents	20-40 years	20-40 years
Dry-dock		2.5-5 years	2.5-5 years
Multi-period spar	res	10 years	10 years
Estimated remaining useful life		1-37 years	1-38 years
Depreciation method		Straight line	Straight line

NOTE 11 // VESSELS AND OTHER FIXED ASSETS CONT

The book value of vessels in layup was NIL as of 31 December 2016 (MUSD 39.1 as of 31 December 2015).

Disposal of vessels: The 1984-built LNG carrier WilGas and the 1983-built LNG carrier WilEnergy were sold in May 2016 and delivered to its new owner in August 2016. A loss of MUSD 6.6 was recognised upon the sale of the vessels. In 2015 the 1983-built LNG carrier WilPower was sold, resulting in a loss of MUSD 3.2.

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 value per TFDE vessel is MUSD 12.

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 in place for both vessels, covering both the bareboat agreements and the repurchase agreements.

Impairment: In 2016 an impairment loss of MUSD 6.6 was recognised, which was related to the sale of WilGas and WilEnergy. The Group has performed an impairment assessment year end 2016, without identifying the need for further impairment charges. In 2015 an impairment loss of MUSD 11.5 was recognised, of which MUSD 3.2 was related to the sale of WilPower and MUSD 8.4 was impairment losses recognised year end 2015. Of the MUSD 8.4, MUSD 5.0 was recognised on the WilPride and MUSD 3.4 on WilEnergy and WilGas.

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 2016, the market capitalisation of the Group was below the book value of its equity, and combined with the challenging shipping market in 2016 this indicated a potential impairment of vessels. Year end 2016 recoverable amount of the vessels has been estimated based on a calculation of value in use.

Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts, and a prolonged weak market may result in future impairment losses.

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. A TC rate of USD 72,000 pd at an utilisation of 85 % is estimated in 2018 as non-contracted revenue. Cash outflows of estimated operating expenses, commissions and dry-dockings are deducted. A residual value from scrapping at the end of the asset's useful 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 independent market analyst sector reports and historical data. Budgets and historical data are used in estimating operating expenses. Inflation forecasts from IMF are used to adjust cash flows to nominal values.

The cash flows are discounted using a weighted average cost of capital (WACC) applicable to the asset, estimated at 7.86 % considering 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 vessels is 7 - 9 % above book values, ie on average USD 14 million. Minor changes in the assumptions applied in the value in use calculations may cause future impairment losses, as shown in the following table to illustrate the sensitivities, which relates to both vessels:

NOTE 11 // VESSELS AND OTHER FIXED ASSETS CONT

	Effect on recoverable amount
1 %-point change in utilisation	MUSD 3.7
1 % change in non-contracted time charter rates	MUSD 3.1
10 bps change in WACC	MUSD 2.9

Other fixed assets	2016	2015
Cost at beginning of period	271	461
+Acquisitions	-	-
-Disposals	-	[192]
Cost as of 31 December	271	271
Accumulated depreciation at beginning of period	147	166
-Depreciation	30	38
-Disposals	-	(57)
Accumulated depreciation as of 31 December	177	147

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 12 // TRADE RECEIVABLES

Carrying amount as of 31 December

Trade receivables	31.12.16	31.12.15
Trade receivables	552	2 460
Allowance for doubtful debts	-	-
Trade receivables carrying value	552	2 460

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 2016 or 2015. See note 20 regarding management of credit risk.

Ageing analysis trade receivables

		Neither past		Past due but not impaired		
	Total	due / impaired	<30 days	30-60 days	61-90 days	>90 days
31.12.2016	552	552	-	-	-	-
31.12.2015	2 460	2 460	-	-	-	-

NOTE 13 // INVENTORY

Inventory	31.12.16	31.12.15
Bunkers	1 847	1 911
Total inventory	1 847	1 911

NOTE 14 // OTHER SHORT TERM ASSETS

Other short term assets	31.12.16	31.12.15
Prepaid expenses	100	172
Prepaid lease liability	3 044	-
VAT-receivable	96	45
Accrued revenue	614	824
Other short term receivables	129	112
Total other short term assets	3 983	1 154

NOTE 15 // CASH AND CASH EQUIVALENTS

		31.12.2016		31.12.2015	
Currency	Code	FX rate	Carrying value	FX rate	Carrying value
US dollars	USD	1	28.333	1	15 177
Norwegian kroner	NOK	8.6200	1 714	8.8090	2 122
Total cash and cash equivalents			30 047		17 299

As of 31 December 2016 KUSD 96 is restricted cash related to employee withholding tax (31 Dec 2015 KUSD 95), and KUSD 75 is restricted cash related to requirements from operating the vessels (31 Dec 2015 KUSD 75)

NOTE 16 // PROVISIONS AND ACCRUALS

Provisions and accruals	31.12.16	31.12.15
Accrued expenses, invoice not received	1 294	1 027
Deferred revenue	-	2 449
Salary related provisions, incl. synthetic options	305	307
Total provisions and accruals	1 598	3 783

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

NOTE 17 // FINANCE INCOME AND EXPENSES

Finance income	2016	2015
Interest income	81	16
Currency gains	23	193
Other finance income	-	2
Total finance income	105	211

NOTE 17 // FINANCE INCOME AND EXPENSES CONT

Finance expenses	2016	2015
Interest expenses finance lease liabilities	23 189	24 144
Currency losses	47	13
Other finance expenses	24	26
Total finance expenses	23 260	24 183

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

NOTE 18 // FINANCIAL INSTRUMENTS

Classes of financial instruments and fair values

Loans and receivables at amortised cost

	Carrying amount		Fair value	
	31.12.16	31.12.15	31.12.16	31.12.15
Trade receivables	552	2 460	552	2 460
Other short term assets	3 883	981	3 883	981
Cash and cash equivalents	30 047	17 299	30 047	17 299
Total	34 482	20 740	34 482	20 740

Loans and receivables at amortised cost

	Carrying amount		Fair value	
	31.12.16	31.12.15	31.12.16	31.12.15
Finance lease liabilities	272 804	285 556	272 804	285 556
Trade payables	904	332	904	332
Total	273 708	285 888	273 708	285 888

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, all categorised in fair value level 2.

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, categorised in fair value level 3. 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 2014	67 788 874	4	48 420
Issued shares 2015	-	-	-
Share capital as of 31 December 2015	67 788 874	4	48 420
Share capital as of 31 December 2015	67 788 874	4	48 420
Issued shares 2016	-	-	-
Share capital as of 31 December 2016	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 rights.

Overview of shareholders as of 31 December 2015

Shareholder	No. of shares	In %
AWILCO AS	24 114 080	35.6%
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%
INVESCO PERPETUAL EU	3 686 492	5.4%
SPENCER TRADING INC	2 663 700	3.9%
CREDIT SUISSE SECURI	2 035 000	3.0%
CITIBANK, N.A.	1 950 356	2.9%
ODIN ENERGI	1 652 041	2.4%
GLAAMENE INDUSTRIER	1 456 683	2.1%
INVESCO FUNDS	1 113 986	1.6%
MP PENSJON PK	836 800	1.2%
TVENGE TORSTEIN INGV	830 000	1.2%
SKIPS A/S TUDOR	781 429	1.2%
PATRONIA AS	700 138	1.0%
Other shareholders	9 685 833	14.3%
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 is listed on Oslo Axess. 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 33 % as at 31 December 2016 (35 % 31 December 2015). Awilco LNG is not subject to any financial covenants.

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NOTE 20 // CAPITAL AND FINANCIAL RISK MANAGEMENT CONT

31.12.15
155 563
445 454
35 %

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 2015. 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 2016 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 2016, a 10 % change in the USD/NOK rate would have an effect on the profit/(loss) for the reporting period of KUSD 138 and no direct effect on equity (KUSD 176 in profit/(loss) effect in 2015).

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 hanks

NOTE 20 // CAPITAL AND FINANCIAL RISK MANAGEMENT CONT

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 2016 is assessed to be good. Furthermore, as disclosed in note 12, none of the trade receivables outstanding as at 31 December 2016 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 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 committed 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 2016	< 3 mon.	3-12 mon.	1-5 yrs	> 5 yrs	Total
Trade payables	904	-	-	-	904
Finance lease liabilities	3 302	140 728	128 775	-	272 804
Interest on finance lease	5 536	15 479	7 383	-	28 398
Total	9 742	156 206	136 158	-	302 106

The WilPride financial lease commenced in November 2013, and is for four years plus a one year unconditional option in Awilco LNG's favour. The four year period matures in November 2017. As the extension option has not been declared as at the date of the BOD approval of the annual report, it is not reflected in the liquidity table above.

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

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.
Awilco Technical Services AS (ATS)	Technical Sub-management Services	1
Awilhelmsen Management AS (AWM)	Administrative Services	2
Astrup Fearnley Group	Ship Brokering Services	3

NOTE 21 // RELATED PARTIES CONT

[1] The Group's in-house technical manager, Awilco LNG Technical Management AS (ALNG TM), has entered into a sub-management agreement with ATS, whereby ATS 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 ATS a management fee based on ATS' 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. ATS 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 2.6 in yearly management fee (approx. MUSD 0.3) 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	2016	2015
Awilco Technical Services AS	669	680
Awilhelmsen Management AS	311	519
Astrup Fearnley Group	320	20

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 (KUSD 4) and impairment of vessels (KUSD 316).

Balances with related parties (liabilities)	31.12.16	31.12.15
Awilco Technical Services AS	160	196
Awilhelmsen Management AS	54	-
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)	31.12.16	31.12.15
Awilco Technical Services AS	16	8

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

Remuneration to key management

050 1 01 1 0: 1 111					
CEO Jon Skule Storheill 380	-	7	52	6	446
CFO Snorre S. Krogstad 242	-	4	33	25	304
Total 622	-	11	86	31	750

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

NOTE 21 // RELATED PARTIES CONT

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.

Statement regarding compensation to key management

The statement regarding compensation to key management has been prepared in accordance with section 6-16 a of the Norwegian Public Limited Liability Companies Act and is adopted by the Board of Directors.

The principles set out for determination of salaries and other remuneration applies to the CEO and the CFO of the Company. The following guidelines were applied in 2016:

General policy: The Company shall offer competitive terms of compensation for senior executives to enable the Company to recruit, motivate and retain senior executives. Competitive terms are defined as terms at the same level as those offered by comparable businesses. The total remuneration shall reflect the responsibility and obligations of senior executives, and promote added value to the Company and its shareholders. The remuneration should not be of such a nature or extent that it may negatively impact the Company's reputation.

Salary and remuneration other than synthetic share options: Remuneration to senior executives consists of fixed and variable compensation. The fixed compensation consists of a base salary and also includes insurance and pension schemes, company car or car allowance, parking, telephone, newspaper and broadband connection to the extent deemed appropriate. The fixed compensation will normally constitute the main part of the remuneration to senior executives.

The Company has a defined contribution plan whereby pension contributions on salary up until 12G are funded in a life insurance company. Contributions on salary above 12G are funded by the Company. The plan complies with the requirements in the Mandatory Occupational Pension Act in Norway.

The variable compensation consists of variable bonus. Bonus to senior executives shall be related to collective and individual goals, partly based on defined parameters (KPIs) and partly a discretionary evaluation of the Company's and employee's performance. Bonus payments shall reflect the values brought to the Company and its shareholders, as well as individual achievements. The potential bonus to the CEO is not limited, while the potential bonus to the CFO is limited to 12 months salary.

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

Synthetic share options program: At the Company's General Meeting held 22 August 2011, a synthetic option program for the key management and other employees of the Company was adopted, limited to 2 % of the total number of outstanding shares. The options

are cash settled and have a vesting period of three years. Vested options have to be declared within two years from the vesting date. The synthetic option program was adopted in 2011 and 457 925 shares were granted. In 2012 a total of 503 140 options were granted, and in 2013 the remaining 394 712 options were granted.

Beyond what appears above, the Company has no current plans to offer senior executives warrants, options or other forms of remuneration related to shares or the development of the share price in the Company or other companies within the Awilco LNG Group. Issue of shares or granting of share-based payments to senior executives shall only take place upon the General Meeting's approval. This shall not prevent senior executives from taking part in issues on the same terms as other investors.

Evaluation of compensation to key management in the previous year: The compensation to key management in the previous year was in accordance with the same principles described above. Further details regarding remuneration to key management is specified above.

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.

2016 Remuneration	Director's fee	Audit committee fee	Remuneration committee fee	Total
Sigurd E. Thorvildsen	42	-	6	48
Jon-Aksel Torgersen	24	-	6	30
Henrik Fougner	24	6	-	30
Annette Malm Justad	24	-	-	24
Synne Syrrist	24	6	-	30
Total compensation for the period	138	12	12	163

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

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	329 425
CFO Snorre S. Krogstad	-	160 000
<u>Total</u>	40 000	489 425

For further information about synthetic options see note 8.

NOTE 21 // RELATED PARTIES CONT

Auditor's fee	2016	2015
Statutory audit	62	75
Other assurance services	4	-
Tax advisory	1	10
Total fees to auditor, excl. VAT	67	85

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.

Carrying amount

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

	31.12.16	31.12.15
Long-term interest bearing debt	258 984	272 804
Short-term interest bearing debt	13 820	12 752
Total	272 804	285 556

The WilPride financial lease commenced in November 2013, and is for four years plus a one year unconditional option in Awilco LNG's favour. As the facility can be extended until November 2018 it is presented as a non-current liability as at 31 December 2016.

Payments towards finance lease liabilities

		2016	
	Principal	Interest	Total
Lease payments WilForce	6 428	11 542	17 971
Lease payments WilPride	6 324	11 647	17 971
Total	12 752	23 189	35 941
		2015	

		2013	
	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

NOTE 22 // FINANCE LEASE LIABILITIES CONT

Future minimum lease payments and their present value

Per 31 December 2016

	< 1 year	1-5 yrs	> 5 yrs	Total
Minimum lease payments	165 044	136 158	-	301 202
Present value of min. lease payments	154 255	118 550	-	272 804

The WilPride financial lease commenced in November 2013, and is for four years plus a one year unconditional option in Awilco LNG's favour. The four year period matures in November 2017. As the extension option has not been declared as at the date of the BOD approval of the annual report, it is not reflected in the table above.

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

NOTE 23 // SUBSIDIARIES

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

Country	Principial activity	Date incorporated	ownership/ voting share
Norway	Former vessel SPC	2 February 2011	100 %
Norway	Former vessel SPC	2 February 2011	100 %
Norway	Former vessel SPC	2 February 2011	100 %
Norway	Owner of LNG/C WilForce	6 May 2011	100 %
Norway	Owner of LNG/C WilPride	6 May 2011	100 %
Norway	Technical management	17 September 2012	100 %
	Norway Norway Norway Norway	Norway Former vessel SPC Norway Former vessel SPC Norway Former vessel SPC Norway Owner of LNG/C WilForce Norway Owner of LNG/C WilPride	Norway Former vessel SPC 2 February 2011 Norway Former vessel SPC 2 February 2011 Norway Former vessel SPC 2 February 2011 Norway Owner of LNG/C WilForce 6 May 2011 Norway Owner of LNG/C WilPride 6 May 2011

The subsidiaries' registered office is Beddingen 8, 0250 Oslo. All subsidiaries are included in the consolidated financial statement from their respective dates of incorporation.

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:

	31.12.16	31.12.15
Within 1 year	73	99
1 to 5 years	-	66
After 5 years	-	-
<u>Total</u>	73	166

Contingent assets

On 12 August 2016, Awilco LNG was awarded a total of MUSD 8.4 in an arbitration verdict against a Chinese buyer who in 2015 purchased WilPower and WilEnergy, but subsequently failed to honour the MOA and settle the purchase price. The arbitration award is final and the claim is enforceable. Awilco LNG will vigorously enforce the claim in order to protect its rights under the MOA. The claim will not be reflected in Awilco LNG's financial statements until the awarded compensation is collected, as it is considered a contingent asset.

NOTE 25 // GOING CONCERN

Awilco LNG's financial statements have been prepared on a going concern basis. As a result of the current weak market for LNG shipping, resulting in risk concerning sufficient liquidity throughout 2017, there is uncertainty with respect to this assumption. After a steady improvement in rates and utilisation in the second half of 2016, the LNG shipping market weakened unexpectedly in the beginning of 2017. Both rates and utilisation so far in 2017 have been significantly below Awilco LNG's expectations. Due to the difficult spot market conditions, there is a risk that the Group will not have sufficient liquidity throughout 2017. The Group is therefore evaluating its capital structure and is exploring various options to safeguard liquidity, including initiating discussions with the key stakeholders to provide the necessary stability in the current difficult market environment. The Board of Directors expects that this process will enable the Group to continue as a going concern, and on this basis, the Board of Directors confirms that it is correct to prepare the accounts on a going concern assumption. The Group believes the long-term outlook for the LNG shipping market is positive, but if the outcome of the process described above is not successful, the Company's assets may be realised at values significantly below the current carrying values. Forecasting the market involves a high degree of uncertainty. Please see the Board of Directors' report for further information on this matter.

NOTE 26 // EVENTS AFTER THE REPORTING DATE

Due to the weak market so far in 2017, the Group is evaluating its capital structure and is exploring various options to safeguard liquidity, including initiating discussions with the key stakeholders to provide the necessary stability in the current difficult market environment.

NOTE 27 // NEW AND AMENDED STANDARDS AND INTERPRETATIONS

IFRS ISSUED AND ADOPTED BY THE GROUP

No new standards, amendments and interpretations with a significant impact on Awilco LNG were taken into use with effect from 2016.

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 replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was approved by EU in November 2016 and is effective for annual periods beginning on or after 1 January 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

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. The standard will supersede all current revenue recognition requirements under IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. 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 was approved by EU in September 2016 and is effective for annual periods beginning on or after 1 January 2018. As the Group's revenue is mainly 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, IFRIC 4, SIC-15 and SIC-27. 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. IFRS 16 is effective for annual periods beginning on or after 1 January 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

	2016	2015
6	6 369	7 785
3	20 415	20 549
	(14 046)	(12 765)
10	166	215
6	(36 600)	80 800
	22 387	(93 780)
4	35 522	21 647
4	2 177	1 122
	33 346	20 525
	55 733	(73 255)
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
5	-	-
	55 733	(73 255)
	55 733	(73 255)
	55 733	(73 255)
	10 6	3 20 415 (14 046) 10 166 6 (36 600) 22 387 4 35 522 4 2 177 33 346 55 733

BALANCE SHEET

In NOK thousands

	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Other fixed assets	10	520	687
Shares in subsidiaries	6	1 022 865	989 262
Loans to subsidiaries	6	-	112 300
Total non-current assets		1 023 385	1 102 249
Current assets			
Short term receivables subsidiaries	6	6 701	9 087
Other short term assets		952	581
Cash and cash equivalents	7	61 549	13 419
Total current assets		69 202	23 087
TOTAL ASSETS		1 092 588	1 125 336
EQUITY AND LIABILITIES			
Equity			
Share capital	8	271 155	271 155
Share premium		690 357	690 357
Retained earnings		124 163	68 430
Total equity		1 085 675	1 029 942
Non-current liabilities			
Pension liabilities	3	2 590	1 894
Loans from subsidiaries	6	2 070	88 633
Total non-current liabilities	Ü	2 590	90 526
Total non-eartent dapatites		2 370	70 320
Current liabilities			
Short term payables subsidiaries	6	1 544	2 055
Trade payables		69	184
Provisions and accruals	9	2 708	2 629
Total current liabilities		4 322	4 867
TOTAL FOLLITY AND LIABILITIES		1 000 500	4.405.007
TOTAL EQUITY AND LIABILITIES		1 092 588	1 125 336

Sigurd E. Thorvildsen Chairman of the Board

Jon-Aksel Torgersen Board member

Jon Skule Storheill

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2016

In NOK thousands

	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2016	271 155	690 357	68 430	1 029 942
Profit/(loss) for the period	-	-	55 733	55 733
Balance as at 31 December 2016	271 155	690 357	124 163	1 085 675

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

CASH FLOW STATEMENT

In NOK thousands

	Note	2016	2015
Cash Flows from Operating Activities:			
Profit/(loss) before taxes		55 733	[73 255]
Items included in profit/(loss) not affecting cash flows:			
Depreciation and amortisation	10	166	215
Accrued net interest income on group loans		-	[4 023]
Impairment of shares in subsidiaries	6	(36 600)	80 800
Changes in operating assets and liabilities:			
Other short term assets		[371]	46
Short term receivables/payables subsidiaries		8 140	16 247
Trade payables, provisions and accruals		662	(3 324)
i) Net cash provided by / (used in) operating activities		27 730	16 705
Cash Flows from Investing Activities:			
Investment in subsidiaries	6	(87 500)	(137 000)
Loans to/from subsidiaries	6	107 900	130 132
Proceeds from sale of other fixed assets	10	-	685
ii) Net cash provided by / (used in) investing activities		20 400	(6 183)
Cash Flows from Financing Activities:			
iii) Net cash provided by / (used in) financing activities		-	-
Net change in cash and cash equivalents (i+ii+iii)		48 131	10 522
Cash and cash equivalents at start of period	7	13 419	2 897
Cash and cash equivalents at end of period	7	61 549	13 419
		/50	450
Interest paid		653	173
Interest received		3 979	1 648

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 financial statements are prepared in English, as approved by the Norwegian Directorate of

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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NOTE 2 // SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT

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	2016	2015
Salaries and other remuneration	9 689	7 600
Social security cost	1 732	1 950
Pension	1 193	1 144
Other employee related expenses	149	165
Total employee related expenses	12 762	10 858
Management fees	2 669	3 968
Consultant, legal and auditor's fees	485	626
Other administration expenses	4 499	5 098
Total administration expenses	20 415	20 549

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

Number of employees	2016	2015
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 2016 the Company's pension liability was TNOK 2 590 (31 December 2015 TNOK 1 894).

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	2016	2015
Carrying value liability	211	85
Option expense	126	(1 588)
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	2016	2015
Statutory audit	271	225
Other assurance services	15	-
Tax advisory	15	86
Total fees to auditor, excl. VAT	300	311

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NOTE 4 // FINANCE INCOME AND EXPENSES

Finance income	2016	2015
Interest income	680	136
Interest income group companies	3 473	6 315
Currency gain	4 002	6 742
Dividends and group contributions from subsidiaries	24 150	3 700
Other finance income group companies	3 218	4 752
Total finance income	35 522	21 647
Finance expenses	2016	2015
Interest expense	11	17
Interest expense group companies	2 082	938
Currency loss	-	49
Other finance expenses	84	118
Total finance expenses	2 177	1 122

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

Income tax expense
Current income tax

Deferred tax asset / (liability)

The Company is subject to ordinary corporation tax in Norway at a current tax rate of 25 %.

Changes in deferred tax	-	-
Total income tax expense / (income)	-	
Specification of basis for deferred tax	31.12.16	31.12.15
Other fixed assets	(126)	[192]
Provisions and accruals	211	85
Pension liabilities	2 590	1 894
Tax loss carry forward	6 021	4 935
Basis for deferred tax asset / (liability)	8 696	6 722
Not recognised deferred tax assets (basis)	[8 696]	(6 722)
Basis for deferred tax asset / (liability)		-
Tax rate *	24 %	25 %

2016

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.

NOTE 5 // INCOME TAXES CONT

Reconciliation of effective tax rate	2016	2015
Profit/(loss) before taxes	55 733	(73 255)
Tax based on ordinary tax rate (25 % in 2016, 27 % in 2015)	13 933	(19 779)
Effects from:		
Permanent differences	14 427	21 884
Not recognised deferred tax assets	[493]	(2 106)
Total income tax expense / (income)	-	-
Income tax payable	2016	2015
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 2016 the Company has the following subsidiaries:

Country	Principial activity	Date incorporated
Norway	Former vessel SPC	2 February 2011
Norway	Former vessel SPC	2 February 2011
Norway	Former vessel SPC	2 February 2011
Norway	Owner of LNG/C WilForce	6 May 2011
Norway	Owner of LNG/C WilPride	6 May 2011
Norway	Technical management	17 September 2012
	Norway Norway Norway Norway	Norway Former vessel SPC Norway Former vessel SPC Norway Former vessel SPC Norway Owner of LNG/C WilForce Norway Owner of LNG/C WilPride

The subsidiaries' registered office is Beddingen 8, 0250 Oslo, Norway.

	Ownership/	Carrying amount	Carrying amount
Company name	voting share	31.12.16	31.12.15
Awilco LNG 1 AS	100 %	8 992	53 600
Awilco LNG 2 AS	100 %	1 146	56 642
Awilco LNG 3 AS	100 %	10 008	57 000
Awilco LNG 4 AS	100 %	373 800	373 800
Awilco LNG 5 AS	100 %	618 800	438 100
Awilco LNG Technical Management AS	100 %	10 120	10 120
Total carrying amount 31 December		1 022 865	989 262

Based on an assessment of the recoverable amount of shares in subsidiaries Awilco LNG 1 AS and Awilco LNG 2 AS, following the sale of the subsidiaries' vessels, reversals of previous impairment charges of NOK 1.6 million and NOK 35.0 million respectively were recognised in 2016 (impairment charges on shares in Awilco LNG 1 AS of NOK 3.4 million and Awilco LNG 5 AS of NOK 77.4 million in 2015).

A capital increase of NOK 180.7 million in Awilco LNG 5 AS was concluded in 2016 (NOK 137 million in 2015).

^{*} As of 1 January 2017 the tax rate in Norway was reduced from 25 % to 24 %.

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

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 2016

	Long term loans(+)	Short term	Short term
Subsidiary	/borrowings(-)	receivables	payables
Awilco LNG 1 AS	-	-	31
Awilco LNG 2 AS	-	-	2
Awilco LNG 3 AS	-	-	5
Awilco LNG 4 AS	-	3 072	9
Awilco LNG 5 AS	-	659	-
Awilco LNG Technical Management AS	-	2 969	1 498
Total	-	6 701	1 544

Short term receivable NOK 3.0 million towards Awilco LNG Technical Management AS relates to group contribution.

Balances with subsidiaries as at 31 December 2015

	Long term loans(+)	Short term	Short term
Subsidiary	/borrowings(-)	receivables	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.

Transactions with subsidiaries

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

Commercial management fees from subsidiaries

Subsidiary	2016	2015
Awilco LNG 1 AS	546	943
Awilco LNG 2 AS	-	482
Awilco LNG 3 AS	546	867
Awilco LNG 4 AS	3 922	3 990
Awilco LNG 5 AS	1 346	1 493
Total	6 360	7 775

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 %.

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

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 2016 the Company paid a fee of TNOK 851 for these services (TNOK 1 153 in 2015).

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 1 956 and TNOK 1 261 respectively was charged the two subsidiaries in 2016 [TNOK 2 690 and 2 062 in 2015].

Interest income from subsidiaries

Subsidiary	2016	2015
Awilco LNG 1 AS	1 738	2 601
Awilco LNG 2 AS	-	1 410
Awilco LNG 3 AS	1 187	2 296
Awilco LNG 4 AS	-	-
Awilco LNG 5 AS	540	7
Awilco LNG Technical Management AS	8	-
Total	3 473	6 315

Interest expenses subsidiaries

interest expenses substant res		
Subsidiary	2016	2015
Awilco LNG 1 AS	27	-
Awilco LNG 2 AS	1 447	928
Awilco LNG 3 AS	67	-
Awilco LNG 4 AS	476	-
Awilco LNG 5 AS	9	-
Awilco LNG Technical Management AS	56	10
Total	2 082	938

NOTE 7 // CASH AND CASH EQUIVALENTS

		31.12	2.2016	31.1	2.2015
Currency	Code	FX rate	Carrying value	FX rate	Carrying value
US dollars	USD	8.6200	54 672	8.8090	5 233
Norwegian kroner	NOK	1	6 877	1	8 186
Total cash and cash equ	uivalents		61 549		13 419

31 December 2016 TNOK 787 is restricted cash related to employee withholding tax (31 December 2015 TNOK 772), and TNOK 647 is restricted cash related to requirements from operating Awilco LNG's vessels (31 December 2015 TNOK 661).

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	31.12.16	31.12.15
Accrued expenses, invoice not received	226	103
Salary related provisions, incl. synthetic options	2 482	2 525
Total provisions and accruals	2 708	2 629

NOTE 10 // OTHER FIXED ASSETS

Other fixed assets	2016	2015
Cost at beginning of period	1 511	2 633
+Acquisitions	-	-
-Disposals	-	[1 122]
Cost as of 31 December	1 511	1 511
Accumulated depreciation at beginning of period	824	944
-Depreciation	166	215
-Disposals	-	(335)
Accumulated depreciation as of 31 December	991	824
Carrying amount as of 31 December	520	687
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.

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Statsautoriserte revisorer Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Awilco LNG ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Awilco LNG ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the income statement, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2016, the statements of other comprehensive income, income statement, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

According to note 25 and the Board of Directors report, there is material uncertainty related to the going concern assumption. The LNG shipping market has been weak in the beginning of 2017 and rates and utilization have been significantly below the Company's budget. As a result, the Group will need to reassess its capital structure in 2017 and explore alternatives in order to ensure sufficient liquidity going forward. These events, indicate a that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the



financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment vessels

Management identified indications of impairment and tested recoverable amounts of the vessels. The impairment evaluation of vessels is dependent on estimates and assumptions regarding future day rates, vessel utilization, operating expenses, capital expenditures, useful lives and discount rate. Considering the extent of estimates and assumptions applied in the impairment evaluation, and management's involvement and judgment in establishing them, we assess impairment of vessels as a key audit matter.

Our audit procedures included, among others, an evaluation of revenue and utilization assumptions in the cash flows estimated by management through comparison towards the Company's historical data and data from independent market analyst's sector reports. We compared operating expenditures to approved budgets, historical data and the long-term market expectations for the sector. Furthermore, we compared the risk premiums used in the weighted average cost of capital with external data and considered management's adjustments for company specific factors. We considered the accuracy of management's prior year assumptions, and evaluated the level of consistency applied in the valuation methodology from previous years. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the assumptions.

Refer to note 3 regarding estimation uncertainties and note 11 regarding vessels, the valuation model and the sensitivity to key assumptions.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in 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 Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption, and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 29 March 2017 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 2016 was USD 132.8 million, which represents an equity ratio of 33 %.

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 Awilco Technical Services AS (ATS) for technical management of the fleet. Furthermore, Awilco LNG has entered into an agreement with Awilhelmsen Management AS (AWM) for administrative services. Both ATS 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 April to 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 3 May 2016 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.

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

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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 ATS 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.

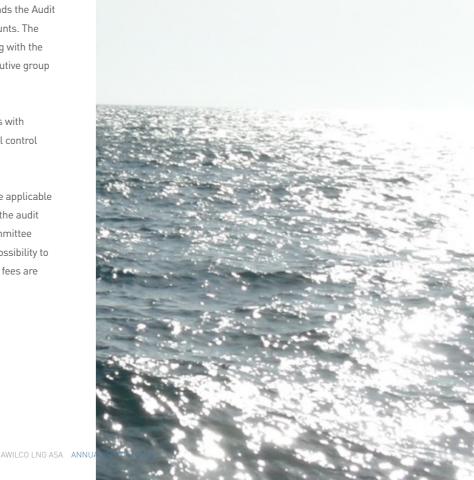
If a situation occurs where the Board proposes to dispose of all or a substantial part of the activities of the Company such a proposal will be placed before the General Meeting.

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 2017 Energy Outlook natural gas is projected to be the fastest growing major fuel 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), ISO 14001 (environmental management system) 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

- 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.

Performance in 2016

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:

KPI	DEFINITION	RESULT 2016	RESULT 2015
LTIF (Lost time injury frequency)	Number of accidents per one-million man hours	0.0	0.0
	worked		
TRCF (Total recordable case frequency)	The sum of all work related, lost time injuries,	2.0	0.0
	restricted 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		

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The Total Recordable Case Frequency in 2016 increased in comparison to 2015, which was caused by a single incident onboard where a crewmember received heat treatment and pain relievers after straining his back.

Going forward

In 2017 Awilco LNG will continue efforts to improve and strengthen the safety culture. 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:

- 1. 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 tri-fuel propulsion systems, which can run on boil-off gas from the LNG cargo. 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. The fleet is well prepared for future environmental regulations, such as Emission Control Areas (ECAs) and global IMO regulations on sulphur content in fuel coming into effect in 2020.

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.

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
- 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:

- Reducing packaging volumes;
- o Encouraging recycling activities; and
- o 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 2016

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:

KPI	DEFINITION	RESULT 2016	RESULT 2015
Number of releases of substances to	The number of releases of substances covered	NIL	NIL
the environment	by MARPOL Annex 1-6 to the environment		
CO2 efficiency	The total mass of emitted CO2 in grams per cargounit-mile	9.5	6.9
NOx efficiency	The total mass of emitted N0x in grams per cargounit-mile	0.11	0.07
S0x efficiency	The total mass of emitted SOx in grams per cargounit-mile	0.03	0.03

Compared to 2015 CO2 and NOx efficiency were reduced, both due to periods of idling.

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Going forward

In 2017 Awilco LNG will continue efforts 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 2016

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 2016 are upheld.



ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APMs), ie financial performance measures not within the applicable financial reporting framework, are used by Awilco LNG to provide supplemental information. Financial APMs are intended to enhance comparability of the results and cash flows from period to period, and it is Awilco LNG's experience that these are frequently used by analysts and investors.

These measures are adjusted IFRS measures defined, calculated and used consistently. Operational measures such as, but not limited to, volumes, utilisation and prices per MMBTU are not defined as financial APMs. Financial APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. Disclosures of APMs are subject to established internal control procedures.

Awilco LNG's financial APMs:

- EBITDA: EBIT + depreciation and amortisation + impairments
- Interest bearing debt: long-term interest bearing debt
 + short-term bearing debt + pension liabilities
- Net freight income: freight income voyage related expenses



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