

ANNUAL REPORT 2018

WILFORCE

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Description of Awilco LNG

COMPANY OVERVIEW

The Awilco LNG Group (the Group or Awilco LNG) is a fully integrated owner and operator of LNG vessels. The Group owns two 156,000 cbm 2013-built LNG TFDE membrane vessels, WilForce and WilPride.

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.

Three LNG vessels WilGas, WilPower and WilEnergy were acquired for an aggregate price of USD 67 million in 2011, financed through private placements and shareholder loans that were subsequently converted to equity. The three vessels were sold in 2015 and 2016 for combined net proceeds of USD 50 million.

In May 2011 Awilco LNG signed shipbuilding contracts for the construction of two LNG carriers, which were part financed through a private placement of NOK 534.8 million.

In September 2011 the Company's shares were listed on the Oslo Stock Exchange under the ticker ALNG.

In September and November 2013, the Group took delivery of its two vessels WilForce and WilPride respectively. Both vessels were financed through sale/leaseback arrangements, financing about 75 % of the delivered cost.

In 2017 a comprehensive refinancing was completed, comprising an amended and more flexible financial lease agreement for WilForce and WilPride, and an equity issue of USD 26.8 million to re-establish a robust financial platform.

Organisation

MANAGEMENT

Awilco LNG had seven employees at the end of 2018. The Group handles commercial and technical operations of the vessels from its 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 and is a Norwegian citizen.

IAN S. WALKER SVP Chartering

Mr. Walker previously held a similar position within Golar LNG, and before that held various commercial, marketing and project development positions in LNG projects for both BG and Shell. Mr. Walker has been involved in the natural gas & shipping industry for more than 25 years. Mr. Walker is a Scottish citizen and resides in Norway.

ØYVIND RYSSDAL Chief Financial Officer

Mr. Ryssdal came from the position as VP Finance & Controlling of the Company, a position held since 2012. Prior to that he served as an auditor with EY. Mr. Ryssdal is a state authorised public accountant and a Certified Financial Analyst (AFA) from NHH. Mr. Ryssdal is a Norwegian citizen.

JAN ESPEN ANDERSEN Head of Operation

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

Board of Directors

SIGURD E. THORVILDSSEN

Chairman and Non-Executive Director

Mr. Thorvildsen is the CEO of the Awilhelmsen group and Chairman of the Board of Awilco Drilling Plc. Mr. Thorvildsen has extensive experience from the shipping- and offshore industry, and 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. Mr. Thorvildsen is a member of the Remuneration Committee.

JON-AKSEL TORGERSEN

Non-Executive Director

Mr. Torgersen is the former 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. He is also a member of the board of Transportation Recovery Fund. Mr. Torgersen holds an MBA (Finance) from Hochschule St. Gallen. Mr. Torgersen is a Norwegian citizen. Mr. Torgersen 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. Mr. Fougner has extensive experience from the shipping- and offshore industry, and 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. Mr. Fougner is a member of the Audit Committee.

SYNNE SYRRIST

Non-Executive Director

Mrs. Syrrist previously worked as an independent consultant, and has held positions as financial analyst in Elcon Securities ASA and First Securities ASA. She also has extensive non-executive experience from both listed and private companies, and is currently among others a member of the boards of Awilco Drilling Plc, Aqualis ASA 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. Mrs. Syrrist is the chairman of the Audit Committee.

ANNETTE MALM JUSTAD

Non-Executive Director

Mrs. Malm Justad previously held positions 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 Boards of American Shipping Company ASA and Store Norske Spitsbergen Kulkompani AS, and as board member of Småkraft AS and the 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.

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

WILPRIDE



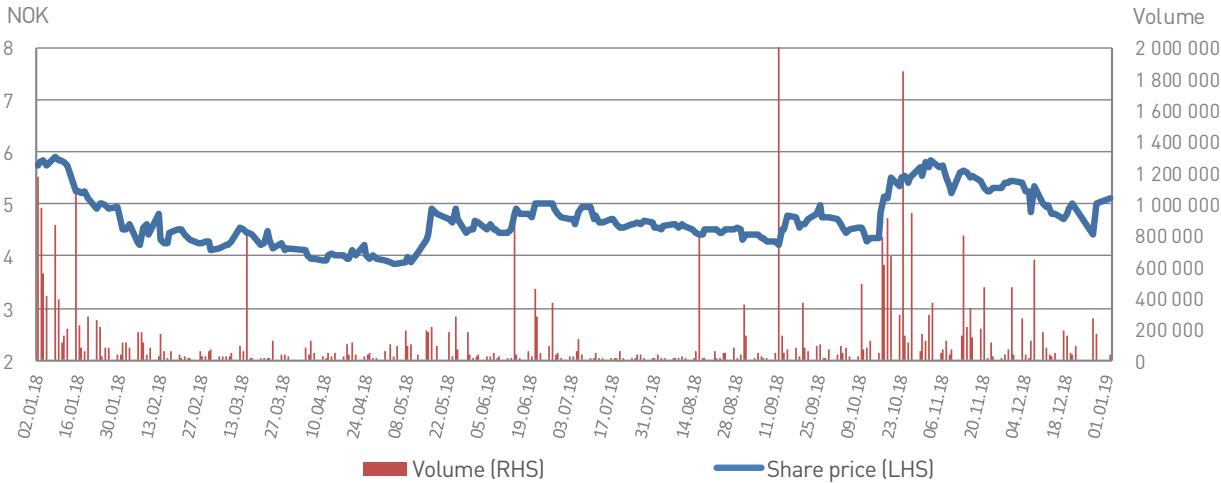
YEAR BUILT	2013	DRAFT	12.521 M
YARD	DSME	MANAGER	ALNG TM
CAPACITY	156,089 M3	FLAG	NIS
DWT	87,677 MT	PROPULSION	TFDE

Both vessels completed their first 5-year dry-dockings in 2018.



Shareholder information

Awilco LNG share price development (ticker: ALNG)



20 largest shareholders (as per 31.12.2018)

OWNERSHIP	SHAREHOLDER/ NUMBER OF SHARES	OWNERSHIP	SHAREHOLDER/ NUMBER OF SHARES
38.6 %	AWILCO AS 51 114 080	1.3 %	EIKA NORGE 1 772 576
8.5 %	STRAWBERRY CAPITAL AS 11 216 756	1.2 %	Goldman Sachs & Co. LLC 1 643 300
8.0 %	UTHALDEN AS 10 600 930	1.0 %	PATRONIA AS 1 322 988
6.6 %	ASTRUP FEARNLEY A/S 8 692 270	0.9 %	Morgan Stanley & Co. International 1 151 609
2.7 %	ODIN ENERGI 3 576 386	0.8 %	B.O. STEEN SHIPPING AS 1 100 000
2.3 %	GLAAMENE INDUSTRIER AS 2 984 002	0.8 %	TVECO AS 1 000 000
2.0 %	HOLMEN SPESIALFOND 2 600 000	0.8 %	TORSTEIN I. TVENGE 1 000 000
1.9 %	SES AS 2 500 000	0.7 %	HELMER AS 908 847
1.5 %	Credit Suisse Securities (Europe) 2 035 000	0.6 %	STEINAR HOFSTAD 800 000
1.5 %	SONGA TRADING INC 2 031 578	17.0 %	OTHER SHAREHOLDERS 22 498 289
1.5 %	Nomura International Plc 2 000 000		

Board of Directors' report

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Board of Directors' report

2018 was a notable year in LNG shipping. Close to record beating new LNG production capacity started up and coupled with strong LNG demand growth in Asia the market reached all-time high rates in November 2018, before a milder than expected winter and well stocked inventories in the Far East resulted in tonnage surplus and a steep drop in rates.

LNG trade is estimated to have increased by 11 % in 2018, from 294 MT in 2017 to 325 MT in 2018 according to shipbrokers Fearnleys LNG. 44 MTPA of new production started in 2018, of which 27 MTPA added in Q4 2018 is not expected to produce at nameplate capacity until well into 2019 due to the customary gradual ramp up. Average transport distances increased by 2.5 % in 2018 compared to a 3 % increase in 2017.

29 MTPA of new LNG production capacity is scheduled to come on stream in 2019, and a further 54 MTPA of capacity under construction is set for start-up in 2020 to 2024. This figure is expected to increase going forward as further new projects reach FID. The orderbook as at end 2018 stood at 107 vessels, of which about 1/3rd are assumed available for contract.

The sale/leaseback agreements for WilForce and WilPride matures end 2019. Awilco LNG is actively pursuing refinancing. The Company is confident that multiple sources of capital are available to refinance the vessels in due course.

Awilco LNG is working with other ship owners with an aim to establish a consolidated LNG shipping structure that may offer scale and synergies. Significant progress has been made in these discussions since first announced at the end of 2018. No agreement has yet been reached and it is not possible to say whether an agreement will be reached.

BUSINESS SUMMARY

The Awilco LNG Group (Awilco LNG, ALNG or the Group) is a fully integrated pure play LNG transportation provider, owning and operating LNG vessels. The Group owns two 2013-built TFDE LNG carriers. The parent company Awilco LNG ASA is listed on Oslo Axess with ticker ALNG. Awilco LNG's registered business address is Beddingen 8, Oslo, Norway.

Both vessels completed their first scheduled 5-year survey and dry-docking in 2018, and were employed in the spot marked for most of 2018, achieving 80 % utilisation excluding scheduled off-hire (74 % in 2017). In September 2018 WilForce was delivered on a 9-12 month time charter contract to an oil and gas major.

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

LNG market

According to Fearnleys LNG, the reported spot day-rates for modern TFDE vessels started 2018 at USD 82,500, falling to a shoulder-season low of USD 39,500 in May before reaching an all-time high of USD 185,000 in November and ending at USD 110,000. Average assessed TFDE spot rate per day for the year was about USD 86,000, close to a doubling from USD 44,000 in 2017, noting that volatility in TFDE spot rates also hit an all-time high in 2018.

LNG trade increased by 31 MT in 2018, a growth of about 11 % compared to 2017. 2018 was a big year for new production startups, and nine liquefaction trains were commissioned; Cove Point, Sabine Pass T5 and Corpus Christi T1 in the US, Yamal LNG T2 and T3 in Russia, Wheatstone T2, Ichthys and Prelude FLNG in Australia and Hilli Episeyo FLNG in Cameroon. The total combined nameplate production capacity from the new LNG trains was about 44 MTPA, of which about 15 MTPA out of the US. Ramp-up time to nameplate capacity is estimated to about 6 months on average, resulting in the full effect of about 27 MTPA of new capacity not impacting the market until well into 2019.

Fearnleys LNG reported average transport distances up by 2.5 % in 2018 compared to a 3 % increase in 2017. The growth was driven by a continued increase in LNG demand from China with imports up by 40 % in 2018 vs 46 % in 2017. China took 50 % of the additional supply of LNG in 2018, and surpassed Japan as the world's largest importer of gas (LNG and pipeline combined). South Korea and India increased their LNG imports by 17 % and 4 % respectively, while Japan's imports were

marginally down. Although the number of cargoes going from US to China came to a halt in the second half of 2018 due to the ongoing trade and tariff conflict, total Far East demand growth was increasingly met by US exports. According to Fearnleys LNG about 43 % US LNG cargoes were transported to the Far East in 2018, up from 38 % in 2017.

In 2019 11 liquefaction trains are scheduled for start-up with a combined nameplate capacity of about 29 MTPA, of which 25 MTPA in the US. In 2020 to 2024 a further 54 MTPA of new capacity is expected to come online, of which 29 MTPA from the US. FID was reached on a total of 21 MTPA of new capacity in 2018 (Corpus Christi T3, LNG Canada T1 + T2 and BP Tortue FLNG). So far in 2019 a further 16 MTPA has been sanctioned (Golden Pass T1 – T3) and market analysts expects several further FIDs in the coming months.

In 2018 49 vessels were delivered and 63 vessels were ordered, marking 2018 as a record year for both newbuild deliveries and new ordering. Of the 63 vessels ordered in 2018 close to 30 vessels are assumed speculative. The total fleet of LNG carriers above 125,000 cbm was 479 vessels end 2018, of which 72 vessels built prior to 2000 and 15 vessels in lay-up. According to shipbrokers the orderbook year end 2018 for LNG vessels above 150,000 cbm (excl. FSRU and FLNG) was 107 vessels, of which 38 are assumed available for contract. 39 vessels are scheduled for delivery in 2019, 35 vessels in 2020 and 33 in 2021.

CONSOLIDATED FINANCIAL STATEMENTS

Income statement

Freight income for the year amounted to USD 40.0 million (USD 20.4 million). Fleet utilisation for the year ended at 80 %, compared to 74 % in 2017.

Voyage related expenses were USD 5.1 million in 2018 compared to USD 6.9 million in 2017. Bunkers expenses reimbursed by charterers amounted to USD 2.2 million in 2018 (USD 2.3 million in 2017), and is presented gross in the income statement.

Operating expenses for the year were USD 8.0 million compared to USD 7.9 million in 2017. In September 2018 non-critical damage was incurred to machinery on WilForce, and a USD 4.5 million provision for repairs was recognised, offset by an insurance claim of USD 4.0 million presented as other income.

Administration expenses amounted to USD 3.9 million in 2018, same as in 2017.



EBITDA for the year was USD 22.4 million compared to USD 1.7 million in 2017.

Depreciation and amortisation was USD 13.0 million compared to USD 12.3 million in 2017.

Net finance expense was USD 20.9 million (USD 21.2 million), of which USD 21.5 million (USD 22.2 million) in interest charges on the WilForce and WilPride lease obligations.

Income tax expense for the year was NIL, same as in 2017.

Loss before tax and for the period was USD 11.4 million compared to USD 31.8 million in 2017.

Earnings per share

Basic and diluted earnings per share for the year were negative with USD 0.09, compared to negative USD 0.31 in 2017.

Financial position

As at 31 December 2018 the Group's total assets were USD 393.6 million (USD 399.6 million).

The book value of vessels was USD 362.1 million (USD 363.9 million). The decrease reflects ordinary depreciation of USD 13.0 million (USD 12.3 million), offset by capitalisation of dry-dockings of both vessels (at USD 3.3 and 3.6 million for WilForce and WilPride respectively), minor vessel upgrades and periodic engine overhauls.

Current assets were USD 31.4 million (USD 35.7 million), of which trade receivables were USD 2.7 million (USD 1.6 million), cash and cash equivalents were USD 22.5 million (USD 29.0 million) and other current assets were USD 6.1 million (USD 5.1 million).

The lease agreements for WilForce and WilPride mature 31 December 2019 and are presented as current liabilities as at 31 December 2018. Awilco LNG is actively pursuing refinancing of the leases. Total current liabilities were USD 277.6 million (USD 6.4 million), of which the WilForce and WilPride lease liabilities were USD 266.7 million (USD 263.9 million) including deferred bareboat hire of USD 19.9 million and fees USD 2.0 million (previously presented as other non-current liabilities).

From July 2017 to March 2018 bareboat hire payable was USD 28,500 per day, from April 2018 to March 2019 USD 33,500 per day, and from April 2019 to December 2019 USD 38,500 per day. The deferred bareboat hire amounts will become payable at maturity of the leases, or by way of a cash sweep mechanism measured on a quarterly basis. Net earnings in excess of cash break-even levels, currently estimated at approx. USD 53,000 per day (increasing to approx. USD 58,000 per day from April 2019), is to be swept towards the outstanding deferred charter hire, subject to the Group retaining a minimum cash position after sweeping of approx. USD 23.5 million.

The purchase obligations at maturity of the lease agreements in December 2019 are USD 113.3 million and USD 114.5 million for WilForce and WilPride, respectively, in addition to any deferred hire and fees.

Total equity at the end of the year was USD 115.6 million (USD 127.0 million), corresponding to a book equity ratio of 29 % (32 %).

Cash flow statement

In 2018 the Group had cash inflows from operating activities of USD 26.5 million (USD 2.1 million). Net cash used in investing activities was USD 11.2 million (USD 2.3 million). Net cash used in financing activities amounted to USD 21.8 million (USD 1.0 million), all related to payment towards the WilForce and WilPride lease obligations. Cash at the end of the year was USD 22.5 million (USD 29.0 million).

Liquidity

Cash and cash equivalents were USD 22.5 million as at 31 December 2018. The Group's vessels are trading in the spot and short-term market. Spot earnings are exposed to volatility and seasonality in rates and utilisation. Cash break-even for each vessel is approx. USD 53,000 per day until April 2019 and USD 58,000 per day thereafter until the leases are refinanced. Earnings above cash break-even are subject to a cash sweep towards the lessor of WilForce and WilPride, subject to a minimum cash position, as described in note 22.

PARENT COMPANY FINANCIAL STATEMENTS

Operating income for the year amounted to NOK 5.4 million (NOK 3.2 million) and administration expenses NOK 23.3 million (NOK 23.0 million).

Net finance income amounted to NOK 14.9 million (NOK 1.3 million).

Loss for the period was NOK 3.1 million (NOK 145.1 million).

The Board of Directors propose that the loss for the period of NOK 3.1 million for the Parent Company is covered by retained earnings.

The Board will propose to the General Meeting scheduled for 26 April 2019 that there will be no dividend distributed for the fiscal year 2018. Awilco LNG is restricted from paying dividends to its shareholders for as long as parts of bareboat hire is deferred.

GOING CONCERN ASSUMPTION

The consolidated financial statements of the Group, and the parent company financial statements of Awilco LNG ASA, have been prepared on a going concern basis pursuant to the Norwegian Accounting Act § 3-3a.

The WilForce and WilPride financial leases mature 31 December 2019 + 60 days extension option. Awilco LNG is actively pursuing refinancing. The Company is confident that multiple sources of capital are available to refinance the vessels in due course.

RISK FACTORS

Market conditions for shipping activities have historically been volatile, and consequently 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 LNG production plants, with correspondingly low utilisation and depressed market rates. In the period 2012 to 2017 a newbuild ordering boom combined with limited growth in LNG production and decreasing average sailing distances resulted in an oversupply of vessels, depressing activity and rates. The high ordering activity in 2018 indicates a risk of an oversupplied market in 2021 onwards, depending on production growth, average sailing distances and notably US – China relations, among other factors.

Projecting the supply of LNG involves uncertainty. Historically new projects were often delayed as liquefaction plants are highly complex construction projects, but project execution has gradually improved, and some recent projects commissioned

several months ahead of schedule is encouraging. Actual LNG production may fluctuate from one year to another due to for instance scheduled maintenance programs, feed gas issues, war and conflicts or technical issues. 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.

Gas price levels in different geographic markets has a significant impact on demand for LNG transportation to execute arbitrage opportunities. The arbitrage going forward is difficult to predict as it is closely linked to the gas price level in Europe, the US and Far East, which is highly dependent upon several factors including weather, policies and regulations and the price of alternative energy sources.

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 its vessels, revenue will be substantially reduced.

Laws and regulations

The Group's operations and vessels are subject to international laws and regulations, which have become more proliferate and 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 pre-emptive maintenance. 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, war and cyber risk

A piracy attack, outbreak of war or cyber-attack may affect the trading and earnings of the vessels.

Crew

The LNG carrier fleet will increase by more than 20 % over the coming years. This exposes the Group to the risk of not being

able to attract 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

Both vessels are financed through sale/leaseback agreements with Teekay LNG Partners L.P. The leases mature end 2019 + a 60-day extension option. The lease agreements include rolling repurchase options at any time before maturity and repurchase obligations at the end of the period. The purchase obligation for WilForce is USD 113.3 million and for WilPride USD 114.5 million, in addition to any deferred hire of up to MUSD 29.0 in total and refinancing fees of USD 2.0 million. Lease payments are in USD. At the end of the lease period there is refinancing risk. Awilco LNG is actively pursuing refinancing. The Company is confident that multiple sources of capital are available to refinance the vessels in due course. The type and level of debt financing that the Company will be able to obtain in refinancing of the lease agreements depends upon assessed 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 administration expenses denominated in NOK. The Group may use financial derivatives to reduce short-term currency risk.

Liquidity risk

The shipping business 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, having sufficient liquidity at all times to meet its obligations without incurring unacceptable losses or risking employees' safety or damage to the Group's reputation.

Interest rate risk

Currently the Group has no other long-term debt than fixed interest rate lease liabilities, and interest rate risk is therefore limited to bank deposits and a floating interest charge on the deferred bareboat hire. If the Group enters into new long-term financing facilities, it 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 freight income trade receivables 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 solid credit rating.

HEALTH, SAFETY AND ENVIRONMENT

The Group has a lean onshore organisation and has outsourced certain services. At year end 2018 the Group had 7 onshore employees. There is currently no female representation among 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. Vessels are properly operated and maintained, and 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 adheres to national and international laws and regulations and promotes best practices identified within its own operations and the industry in order to improve the competence of individual crewmembers and vessel safety performance. ALNG's management is actively engaged in monitoring the Group's performance to further encourage and promote positive trends, and to provide advice and take corrective action where negative trends are detected. To ensure retention of personnel, Awilco LNG aims to ensure a stable and motivating work environment for both onshore and offshore employees. 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 0.8 % in 2018 (0.9 % in 2017). No onshore work-related injuries were reported in 2018 or 2017. For seafarers, an LTIF (accidents per one million-man hours worked) of 2.1 was reported during the year, compared to NIL in 2017.

Based on the long-term goal of environmental excellence, Awilco LNG works towards minimising the environmental impact from its vessels and operations. The Group has a zero tolerance for environmental spills, emissions of ozone depleting substances and unauthorised disposal of any type of garbage or

waste to the marine environment. Awilco LNG aims to minimise the emissions of CO₂, NO_x and SO_x from engines, boilers, incinerators and cargo and fuel oil tanks and systems through evaporation.

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

CORPORATE GOVERNANCE

Awilco LNG strives to protect and enhance shareholder equity through openness, sustainability, 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 17 October 2018 (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, sustainable, 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 provide LNG transportation services to customers with an objective to secure the most profitable contracts coupled 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

The LNG shipping market recovery was firmly established in 2018. Although newbuild deliveries were at an all-time high in 2018, a 13.9 % growth in ton-mile demand more than absorbed the fleet growth and market rates hit record highs in late 2018. The start of 2019 has again illustrated the volatility of LNG shipping as a milder than expected winter in the Far East due to El Niño weather conditions, coupled with well stocked gas inventories in China, has led to downward pressure on utilisation and rates.

Despite short term softness, the outlook for LNG shipping the next few years is promising. A total of 83 MTPA, equal to 25 % of 2018 production, of new LNG production capacity is expected to start up in 2019 to 2024. About 54 MTPA of the new production is out of the US, which is expected to increase average sailing distances substantially, and with orderbook visibility until 2021 the tonnage balance is supportive of improving utilisation and firming rates. However, periods of volatility and seasonality should be expected, as evident by the 2018/2019 winter market.

In the longer-term recent liquefaction FIDs are promising. Natural gas is available, affordable and environmentally friendly compared to other fossil alternatives. To meet the growing demand for gas, estimated at double the growth rate of the total global energy demand according to Shell Energy

Outlook, several new LNG production plants are expected to be sanctioned in the next 6-12 months.

Awilco LNG has one vessel on contract until June / September 2019 and one vessel trading in the spot market and is well positioned in this growing and promising market.

Statement of responsibility

We confirm to the best of our knowledge that the consolidated financial statements for 2018 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 2018 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, 3 April 2019

Sigurd E. Thorvildsen
Chairman of the Board

Henrik Fougner
Board member

Jon-Aksel Torgersen
Board member

Synne Syrrist
Board member

Annette Malm Justad
Board member

Jon Skule Storheill
CEO

Oslo, 3 April 2019

Sigurd E. Thorvildsen
Chairman of the Board

Henrik Fougner
Board member

Jon-Aksel Torgersen
Board member

Synne Syrrist
Board member

Annette Malm Justad
Board member

Jon Skule Storheill
CEO

Consolidated Financial Statements And Notes

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CONSOLIDATED INCOME STATEMENT

In USD thousands, except per share figures

	Note	2018	2017
Freight income	4,5	39 952	20 437
Voyage related expenses	6	5 133	6 883
Net freight income		34 819	13 554
Other income	7	4 000	-
Operating expenses	7	7 987	7 949
Provision for repair of vessel damage	7	4 500	-
Administration expenses	8	3 900	3 915
Earnings before interest, taxes, depr. and amort. (EBITDA)		22 432	1 691
Depreciation and amortisation	11	12 989	12 269
Earnings before interest and taxes (EBIT)		9 442	(10 579)
Finance income	17	887	1 045
Finance expenses	17	21 765	22 269
Net finance income/(expense)		(20 878)	(21 224)
Profit/(loss) before taxes		(11 435)	(31 803)
Income tax expense	10	-	-
Profit/(loss) for the period		(11 435)	(31 803)
Earnings per share in USD attributable to ordinary equity holders of Awilco LNG ASA:			
Basic, profit/(loss) for the period	9	(0.09)	(0.31)
Diluted, profit/(loss) for the period	9	(0.09)	(0.31)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/(loss) for the period	(11 435)	(31 803)
Other comprehensive income:		
Other comprehensive income items	-	-
Total comprehensive income/(loss) for the period	(11 435)	(31 803)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In USD thousands

	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Vessels	11	362 110	363 917
Other fixed assets	12	12	12
Total non-current assets		362 122	363 929
Current assets			
Trade receivables	12	2 749	1 611
Inventory	13	1 377	2 335
Other short term assets	14	4 772	2 730
Cash and cash equivalents	15	22 540	28 979
Total current assets		31 438	35 655
TOTAL ASSETS		393 560	399 584
EQUITY AND LIABILITIES			
Equity			
Share capital	19	49 407	49 407
Share premium		133 384	133 384
Other paid-in capital	19	18 157	18 157
Retained earnings		(85 356)	(73 921)
Total equity		115 592	127 028
Non-current liabilities			
Pension liabilities	8	322	263
Long-term interest bearing debt	22	-	263 907
Other non-current liabilities	22	-	2 000
Total non-current liabilities		322	266 170
Current liabilities			
Short-term interest bearing debt	22	266 683	2 682
Trade payables		1 323	240
Income tax payable	10	-	-
Provisions and accruals	16	9 640	3 464
Total current liabilities		277 646	6 386
TOTAL EQUITY AND LIABILITIES		393 560	399 584

Oslo, 3 April 2019


Sigurd E. Thorvildsen
Chairman of the Board


Henrik Fougner
Board member


Synne Syrrist
Board member


Jon-Aksel Torgersen
Board member


Annette Malm Justad
Board member


Jon Skule Storheill
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2018						
<i>In USD thousands</i>	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2018		49 407	133 384	18 157	(73 921)	127 028
Profit/(loss) for the period		-	-	-	(11 435)	(11 435)
Other comprehensive income for the period		-	-	-	-	-
<i>Total comprehensive income</i>		-	-	-	(11 435)	(11 435)
Balance as at 31 December 2018		49 407	133 384	18 157	(85 356)	115 592

For the period ended 31 December 2017						
<i>In USD thousands</i>	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2017		48 420	126 463	-	(42 118)	132 764
Profit/(loss) for the period		-	-	-	(31 803)	(31 803)
Other comprehensive income for the period		-	-	-	-	-
<i>Total comprehensive income</i>		-	-	-	(31 803)	(31 803)
Share capital reduction	19	(18 157)	-	18 157	-	-
Equity issue	19	19 145	7 658	-	-	26 803
Transaction costs equity issue		-	(736)	-	-	(736)
Balance as at 31 December 2017		49 407	133 384	18 157	(73 921)	127 028

CONSOLIDATED CASH FLOW STATEMENT

In USD thousands

	Note	2018	2017
Cash Flows from Operating Activities:			
Profit/(loss) before taxes		(11 435)	(31 803)
Income taxes paid		-	-
Interest and borrowing costs expensed	17	21 543	22 152
Items included in profit/(loss) not affecting cash flows:			
Depreciation and amortisation	11	12 989	12 269
(Gain)/Loss on sale of other fixed assets		-	27
Changes in operating assets and liabilities:			
Trade receivables, inventory and other short term assets		(2 221)	(1 571)
Trade payables, provisions and accruals		5 656	1 059
i) Net cash provided by / (used in) operating activities		26 532	2 134
Cash Flows from Investing Activities:			
Investment in vessels	11	(11 182)	(2 327)
Proceeds from sale of other fixed assets		-	43
ii) Net cash provided by / (used in) investing activities		(11 182)	(2 284)
Cash Flows from Financing Activities:			
Gross proceeds from equity issue	19	-	26 803
Transaction costs of equity issue	19	-	(736)
Repayment of borrowings		(2 735)	(5 580)
Interest and borrowing costs paid		(19 053)	(21 405)
iii) Net cash provided by / (used in) financing activities		(21 788)	(919)
Net change in cash and cash equivalents (i+ii+iii)		(6 438)	(1 068)
Cash and cash equivalents at start of period		28 979	30 047
Cash and cash equivalents at end of period	15	22 540	28 979

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 two 2013-built TFDE LNG vessels.

The consolidated financial statements for the period ended 31 December 2018 were authorised for issue by the Board of Directors on 3 April 2019 and will be presented for approval at the Annual General Meeting on 26 April 2019.

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, except for liabilities for cash-settled share-based payments which are measured at fair value, pensions which are measured according to IAS 19 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 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. 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 at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer and is presented as freight income net of offhire deductions. Revenue is recognised according to the load-to-discharge principle.

Revenue is generated by time charter contracts which contain both a lease element and a vessel management element (service agreement). Minimum operating lease payments are 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.

The vessel management element is considered a performance obligation that is satisfied over time, given that the customer simultaneously receives and consumes the benefits provided by the Group.

Voyage expenses are expensed as incurred.

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 to achieve a constant rate of interest on the remaining balance of the liability 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 and other fixed assets are carried at historical cost less accumulated depreciation and impairment losses. Vessels under construction are carried at historical cost less 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 bringing 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. Dry-docking 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 to the respective components of the asset:

Vessels	40	years
Vessel dry-docking	5	years
Vessel engine overhauls	4	years
Other fixed assets	3 - 5	years

Costs related to major inspections/classifications (dry-docking and engine overhauls) are recognised in the carrying amount of the vessels if certain recognition criteria are satisfied. The recognition is made as the dry-docking or overhaul is being performed, and depreciation is recognised from completion until estimated time to the next dry-docking or overhaul. Any remaining carrying amount of the cost of the previous dry-

docking or overhaul is de-recognised upon initiation of the next dry-docking or overhaul. The remaining costs that do not meet the recognition criteria are expensed as repairs and maintenance. When vessels are acquired remaining dry-docking and overhaul is identified and depreciated as a separate component, based on estimated time to the next dry-docking or overhaul.

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 criteria also include management to be committed to the plan and the sale to 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) because 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 on the intrinsic value of the cash-settled share-based payments.

PENSIONS

The Group is required to provide a pension plan towards its onshore employees, and the Group has implemented a defined contribution plan. The plan complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenstepensjon"). 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 expected. 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 and it is probable that the temporary difference will not reverse in the foreseeable future.

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 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.

Financial assets

Initial recognition and measurement: Financial assets are classified at initial recognition and subsequently measured at either i) amortised cost ii) fair value through other comprehensive income (OCI) or iii) fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement: Financial assets are classified in two categories;

- i) Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met: i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables
- ii) Financial assets at fair value through profit or loss

Include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition: A financial asset is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when either i) The rights to receive cash flows from the asset have expired or ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower

of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets: The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement: Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement: The measurement of financial liabilities depends on their classification, as described below:

i) Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

ii) Loans and borrowings: After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition: A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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.

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.

SEGMENT INFORMATION

The Group's current business is 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.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

IFRS ISSUED AND ADOPTED BY THE GROUP

Two new standards, amendments and interpretations with a significant impact on Awilco LNG were implemented in 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities, and have replaced the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 introduces a single approach for the classification and

measurement of financial assets according to their cash flow characteristics and provides a new impairment model based on expected credit losses. The new standard has not had a material impact on the measurement of financial assets and changes in equity. The Group has used a modified implementation method, and cumulative impact of the new standard (nil) has been recognised towards retained earnings as of 1 January 2018. Comparative figures have not been restated.

IFRS 15 Revenue From Contracts With Customers

Under IFRS 15 revenue is to be 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. The Group's revenue is generated by time charter contracts which contain both a lease element and a vessel management element (service agreement). Whereas accounting of the lease element is still to be governed by IAS 17 Leases (until IFRS 16 is implemented in 2019, see below), accounting of the vessel management element will be governed by IFRS 15. The vessel management element is assessed as a performance obligation that is satisfied over time, given that the customer simultaneously receives and consumes the benefits provided by the Group. This is analogue to the Group's previous revenue recognition policy of load-to-discharge basis, and the Group's revenue recognition is not impacted by implementation of IFRS 15. The Group has used a modified retrospective method, and cumulative impact of the new standard (nil) has been recognised towards retained earnings as of 1 January 2018. Comparative figures have not been restated.

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 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.

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, including 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 be material.

Estimates and assumptions

Depreciation of vessels and residual values. 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. Any changes in estimated useful lives and/or residual values impact the depreciation of the vessels prospectively. As at 31 December 2018 the vessels had a carrying value of USD 362.1 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.

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

As at 31 December 2018, the vessels had a carrying value of USD 362.1 million. Please see note 11 for further information on impairment of vessels.

NOTE 4 // FREIGHT INCOME

<u>Freight income</u>	<u>2018</u>	<u>2017</u>
WilForce	22 024	10 973
WilPride	17 927	9 464
Total freight income	39 952	20 437

Freight income consists of revenues from time charter contracts with customers, and includes timecharter hire, ballast bonuses, misc. income and bunkers compensation. MUSD 2.2 of freight income relates to bunkers compensation received from charterers' on single voyages, which is presented gross in the income statement (MUSD 2.3 in 2017). 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 2019 based on firm charter contracts:

<u>Contracted future freight income</u>	<u>< 6 mon.</u>	<u>6 mon. - 1 yr</u>	<u>> 1 yr</u>	<u>Total</u>
WilForce	14 491	-	-	14 491
WilPride	-	-	-	-
Total contracted future freight income	14 491	-	-	14 491

NOTE 5 // SEGMENT INFORMATION

Operating segments

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 as the vessels trade globally and revenue is not dependent on any specific country. Revenue from the Group's country of domicile, Norway, was NIL in 2018, same as in 2017.

Information about major customers

In 2018 the Group had four major customers individually contributing with more than 10 % of the Group's revenues at 10, 10, 15 and 35 % of total revenue, compared to four in 2017 contributing 10, 18, 20 and 25 %.

NOTE 6 // VOYAGE RELATED EXPENSES

<u>Voyage related expenses</u>	<u>2018</u>	<u>2017</u>
Bunkers consumption	4 690	5 497
Commissions	380	155
Other voyage expenses	62	1 231
Total voyage related expenses	5 133	6 883

Bunker consumption relates to periods where the vessels have been idle or repositioning, and for single voyage charters where bunkers 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

<u>Operating expenses</u>	<u>2018</u>	<u>2017</u>
Crew expenses	4 902	4 804
Other operating expenses	2 526	2 634
Insurance expenses	525	478
Tonnage tax	34	33
Total operating expenses	7 987	7 949

In 2018 damage was incurred to certain non-critical machinery equipment on the WilForce, and a MUSD 4.5 non-cash provision was recognised. A related estimated insurance claim of MUSD 4.0 was recognised as other income.

In 2018 there were a total of 730 trading days including 41 off-hire days related to dry-docking of both vessels (730 in 2016) and NIL lay-up days (NIL in 2017).

<u>Number of seafarers</u>	<u>2018</u>	<u>2017</u>
Seafarers year end	57	56

NOTE 8 // ADMINISTRATION EXPENSES

<u>Administration expenses</u>	<u>2018</u>	<u>2017</u>
Salaries and other remuneration	1 566	1 693
Social security cost	246	245
Pension	138	140
Other employee related expenses	20	22
Total employee related expenses	1 970	2 100
Management fees	841	982
Consultant, legal and auditor's fees	320	130
Other administrative expenses	769	703
Total administration expenses	3 900	3 915

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.

<u>Number of onshore employees</u>	<u>2018</u>	<u>2017</u>
Onshore employees year end	7	7
Average number of onshore work years	7.0	7.8

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 contributions towards salary up until 12G is funded in a life insurance company. Defined contributions towards salary over 12G is funded by the Group. As at 31 December 2018 the Group's pension liability was KUSD 322 (31 December 2017 KUSD 263).

Synthetic option programme

At the Company's General Meeting held 22 August 2011 a synthetic option programme for the Company's employees was adopted. As of August 2018 all awarded and outstanding options lapsed, and no options were exercised throughout the duration of the programme. The programme has not been renewed.

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 2018 or 31 December 2017.

<u>Earnings per share</u>	<u>2018</u>	<u>2017</u>
Profit/(loss) for year attributable to ordinary equity holders (KUSD)	(11 435)	(31 803)
Weighted average number of shares outstanding, basic and diluted	132 548 611	102 902 938
Basic/diluted earnings per share (USD)	(0.09)	(0.31)

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 Parent 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.

<u>Income tax expense</u>	<u>2018</u>	<u>2017</u>
Current income tax	-	-
Changes in deferred tax	-	-
Total income tax expense / (income)	-	-

<u>Specification of basis for deferred tax</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Other fixed assets	4	7
Gain/loss account	3 384	4 479
Pension liabilities	322	264
Currency effects on long term debt	3 136	4 203
Tax loss carry forward	15 500	14 729
Basis for deferred tax asset / (liability)	22 346	23 682
Not recognised deferred tax assets (basis)	(22 346)	(23 682)
Basis for deferred tax asset / (liability)	-	-
Tax rate *	22 %	23 %
Deferred tax asset / (liability)	-	-

* As of 1 January 2019 the tax rate in Norway was reduced from 23 % to 22 %.

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.

NOTE 10 // INCOME TAXES - CONT

<u>Reconciliation of effective tax rate</u>	<u>2018</u>	<u>2017</u>
Profit/(loss) before taxes	(11 435)	(31 803)
Tax based on ordinary tax rate (23 % in 2018, 24 % in 2017)	(2 630)	(7 633)
<i>Effects from:</i>		
Loss subject to tonnage tax	5 005	3 237
Permanent differences	56	(796)
Not recognised deferred tax asset	129	1 015
Currency effects	(2 560)	4 178
Effect of change in tax rate	-	-
Total income tax expense / (income)	-	-

<u>Income tax payable</u>	<u>2018</u>	<u>2017</u>
Current tax payable recognised in income statement	-	-
Current tax payable recognised directly in equity	-	-
Total income tax payable	-	-

NOTE 11 // VESSELS AND OTHER FIXED ASSETS

<u>Vessels</u>	<u>2018</u>	<u>2017</u>
Cost at beginning of period	418 711	414 385
+Capitalised upgrades, dry-dock, spare parts and replacements	11 182	4 327
-Disposals	-	-
Cost as of 31 December	429 894	418 711

Accumulated depreciation and impairment at beginning of period	54 795	42 538
-Depreciation	12 989	12 257
-Disposals	-	-
Accumulated depreciation and impairment as of 31 December	67 784	54 795

Carrying amount as of 31 December	362 110	363 917
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Estimated useful lives		
Vessel main components	20 - 40 years	20 - 40 years
Vessel indirect leasing expenses	2 - 5 years	2 - 5 years
Dry-dock and engine overhauls	4 - 5 years	4 - 5 years
Multi-period spares	10 years	10 years
Estimated remaining useful life	1 - 35 years	1 - 36 years
Depreciation method	Straight line	Straight line

Both WilForce and WilPride are financed by sale/leaseback agreements, and as described in note 3 the agreements are assessed by Management as finance lease agreements.

Dry-dockings: Both vessels completed their first 5-year special survey and dry-docking in 2018 at an average cost of approx. MUSD 3.4.

Depreciation: Depreciable amount is calculated as cost less residual value. Residual values are calculated based on the vessels' light-weight tonnage and an estimated scrap rate per ton, less related scrapping costs. Estimated residual value per vessel is approx. 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.

NOTE 11 // VESSELS AND OTHER FIXED ASSETS

Impairment: The Group has performed an impairment assessment year end 2018, without identifying the need for any impairment charges.

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 2018, the market capitalisation of the Group was below the book value of its equity, and this indicated a potential impairment of vessels. Year end 2018 recoverable amount of the vessels has been estimated based on a calculation of value in use.

The value in use calculations are based on a discounted cash flow model. The cash flows include contracted cash in-flows of time charter revenue from firm charter parties, and best estimates of non-contracted revenue for the remaining useful lives of each vessel adjusted for estimated utilisation. TC rates of USD 68,000 pd and USD 86,000 pd at utilisation of 79 % and 83 % are estimated in 2019 and 2020, respectively, 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. Changes in circumstances and assumptions may significantly affect the estimated recoverable amounts.

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 13 - 14 % above book values, on average USD 24 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:

	Effect on recoverable amount per vessel
1 %-point change in utilisation	MUSD 4.0
1 % change in non-contracted time charter rates	MUSD 3.1
10 bps change in WACC	MUSD 2.5

NOTE 12 // TRADE RECEIVABLES

<u>Trade receivables</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Trade receivables	2 749	1 611
Allowance for doubtful debts	-	-
Trade receivables carrying value	2 749	1 611

According to contract terms freight income is generally paid in advance, and thus the Group has limited amounts of trade receivables. No impairment has been required on trade receivables in 2018 or 2017. 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
31.12.2018	2 749	2 749	-	-	-	-
31.12.2017	1 611	1 611	-	-	-	-

NOTE 13 // INVENTORY

<u>Inventory</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Bunkers and luboils	1 377	2 335
Total inventory	1 377	2 335

NOTE 14 // OTHER SHORT TERM ASSETS

<u>Other short term assets</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Prepaid expenses	221	141
Prepaid lease liability	-	1 767
VAT-receivable	70	66
Accrued revenue	-	676
Insurance claim	4 000	-
Other short term receivables	480	81
Total other short term assets	4 772	2 730

Please see note 7 for further information on the MUSD 4.0 insurance claim.

NOTE 15 // CASH AND CASH EQUIVALENTS

		31.12.2018		31.12.2017	
<u>Currency</u>	<u>Code</u>	<u>FX rate</u>	<u>Carrying value</u>	<u>FX rate</u>	<u>Carrying value</u>
US dollars	USD	1	21 012	1	26 589
Norwegian kroner	NOK	8.6885	1 528	8.2050	2 389
Total cash and cash equivalents			22 540		28 979

As of 31 December 2018 KUSD 90 was restricted cash related to employee withholding tax (KUSD 96 31 December 2017), KUSD 75 was restricted cash related to requirements from operating the vessels (KUSD 75 31 December 2017) and KUSD 43 was restricted cash provided as deposit towards the office lease (NIL 31 December 2017).

NOTE 16 // PROVISIONS AND ACCRUALS

<u>Provisions and accruals</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Accrued expenses, invoice not received	1 824	652
Accrued interest	-	106
Deferred revenue	2 728	2 116
Provision for repair of vessel damage	4 500	-
Salary related provisions, incl. synthetic options	588	591
Total provisions and accruals	9 640	3 464

Please see note 7 for further information on the MUSD 4.5 provision for repair of vessel damage. Deferred revenue relates to time charter hire for January invoiced in December.

NOTE 17 // FINANCE INCOME AND EXPENSES

<u>Finance income</u>	<u>2018</u>	<u>2017</u>
Interest income	506	259
Currency gains	380	784
Other finance income	-	2
Total finance income	887	1 045

<u>Finance expenses</u>	<u>2018</u>	<u>2017</u>
Interest expenses finance lease liabilities	21 543	22 152
Currency losses	197	96
Other finance expenses	24	21
Total finance expenses	21 765	22 269

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	
	31.12.18	31.12.17	31.12.18	31.12.17
Trade receivables	2 749	1 611	2 749	1 611
Other short term assets	4 550	2 589	4 550	2 589
Cash and cash equivalents	22 540	28 979	22 540	28 979
Total	29 840	33 178	29 840	33 178

Other financial liabilities at amortised cost	Carrying amount		Fair value	
	31.12.18	31.12.17	31.12.18	31.12.17
Finance lease liabilities	266 683	266 589	266 683	266 589
Other non-current liabilities	-	2 000	-	2 000
Trade payables	1 323	240	1 323	240
Total	268 006	268 829	268 006	268 829

NOTE 18 // FINANCIAL INSTRUMENTS CONT.

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 and other non-current 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 these 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

<u>Share capital</u>	<u>No. of shares</u>	<u>Par value NOK</u>	<u>Share capital USD</u>
Share capital as of 31 December 2016	67 788 874	4.00	48 420
Share capital reduction	-	(1.50)	(18 157)
Issued shares 2017	64 759 737	-	19 145
Share capital as of 31 December 2017	132 548 611	2.50	49 407
Share capital as of 31 December 2017	132 548 611	2.50	49 407
Share capital reduction	-	-	-
Issued shares 2018	-	-	-
Share capital as of 31 December 2018	132 548 611	2.50	49 407

The share capital is denominated in NOK, and the nominal value per share is NOK 2.50. All issued shares are of equal rights.

Overview of shareholders as of 31 December 2018

<u>Shareholder</u>	<u>No. of shares</u>	<u>In %</u>
AWILCO AS	51 114 080	38.6%
STRAWBERRY CAPITAL AS	11 216 756	8.5%
UTHALDEN AS	10 600 930	8.0%
ASTRUP FEARNLEY A/S	8 692 270	6.6%
ODIN ENERGI	3 576 386	2.7%
GLAAMENE INDUSTRIER AS	2 984 002	2.3%
HOLMEN SPESIALFOND	2 600 000	2.0%
SES AS	2 500 000	1.9%
Credit Suisse Securities (Europe)	2 035 000	1.5%
SONGA TRADING INC	2 031 578	1.5%
Nomura International Plc	2 000 000	1.5%
EIKA NORGE	1 772 576	1.3%
Goldman Sachs & Co. LLC	1 643 300	1.2%
Other shareholders	29 781 733	22.5%
Total	132 548 611	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 addressing company specific financial and operational requirements and risks.

The Group monitors its capital using the book equity ratio, which stands at 29 % as at 31 December 2018 (32 % 31 December 2017).

Equity ratio	31.12.2018	31.12.2017
Book equity	115 592	127 028
Total assets	393 560	399 584
Book equity ratio	29 %	32 %

Dividend policy

Following the renegotiation of the sale/leaseback agreements with Teekay LNG Partners L.P. for WilForce and WilPride in 2017, the Group is restricted from paying dividends to its shareholders for as long as parts of bareboat hire is deferred. 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 are 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 outstanding deferred bareboat hire and fees totalling MUSD 21.9 that is subject to a floating interest charge (USD LIBOR). A 100 bps change in USD libor would have an effect on the profit/(loss) for the reporting period of KUSD 166 and no direct effect on equity. The original 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 continually assess the need for hedging interest rate risk.

Foreign currency risk:. The functional currency of all the entities in the Group is USD, and the Group has limited currency risk arising from operations as income and major vessel costs are denominated 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 2018 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 2018, a 10 % change in the USD/NOK rate would have an effect on the profit/(loss) for the reporting period of KUSD 75 and no direct effect on equity (KUSD 200 in profit/(loss) effect in 2017).

NOTE 20 // CAPITAL AND FINANCIAL RISK MANAGEMENT CONT

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 bunkers 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 is uncertain and volatile and will depend upon, among other things, the natural gas prices and energy markets which the Group cannot predict. Currently, no financial instruments has been entered into to reduce this risk.

Credit risk

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

The Group aims to do business with creditworthy counterparties only. Prior to entering into a charterparty the Group evaluates the credit quality of the customer, assessing its financial position, past experience and other factors. If the counterparty is not assessed as of adequate credit quality the Group may demand guarantees to reduce credit risk to an acceptable level. Charter hire is generally paid in advance, effectively reducing the potential exposure to credit risk. The credit quality of outstanding trade receivables as at 31 December 2018 is assessed as very good. The Group has measured the expected credit loss for the coming twelve months and estimated it to NIL. Furthermore, as disclosed in note 12, none of the trade receivables outstanding as at 31 December 2018 are past due. Bank deposits are deposited with internationally recognised financial institutions with a high credit rating. Currently bank deposits are with banks rated Aa2 to Aa3 by Moody’s, hence the assessed credit risk is minimal.

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

Liquidity risk

The Group’s approach to managing liquidity risk is to ensure, as far as possible, that it has 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, assuming deferred bareboat hire and renegotiation fees towards the two finance leases is paid at maturity of the leases (see note 22):

Per 31 December 2018	< 3 mon.	3-12 mon.	1-5 yrs	> 5 yrs	Total
Trade payables	1 323	-	-	-	1 323
Finance lease liabilities	1 079	264 828		-	265 907
Interest on finance leases	4 951	15 395		-	20 346
Total	7 353	280 223	-	-	287 576

Per 31 December 2017	< 3 mon.	3-12 mon.	1-5 yrs	> 5 yrs	Total
Trade payables	240	-	-	-	240
Finance lease liabilities	-	2 815	263 775	-	266 589
Interest on finance leases	5 130	15 610	19 570	-	40 311
Other non-current liabilities	-	-	2 000	-	2 000
Total	5 370	18 425	285 345	-	309 140

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:

<u>Related party</u>	<u>Description of service</u>	<u>No.</u>
Awilco Technical Services AS (ATS)	Technical Sub-management Services	1
Awilhelmsen Management AS (AWM)	Administrative Services	2
Astrup Fearnley Group	Ship Brokering Services	3

(1) The Group's in-house technical manager, Awilco LNG Technical Management AS (ALNG TM), has entered into a sub-management agreement with 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 approx. MNOK 2.0 in annual management fee 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.

<u>Purchases from related parties</u>	<u>2018</u>	<u>2017</u>
Awilco Technical Services AS	597	680
Awilhelmsen Management AS	244	302
Astrup Fearnley Group	104	10

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 were included in Voyage related expenses.

<u>Balances with related parties (liabilities)</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Awilco Technical Services AS	28	14
Awilhelmsen Management AS	27	-
Astrup Fearnley Group	-	10

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

<u>Balances with related parties (assets)</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Awilco Technical Services AS	11	26

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

NOTE 21 // RELATED PARTIES CONT.

Remuneration to key management

<u>2018 Remuneration</u>	<u>Salary</u>	<u>Bonus</u>	<u>Share options</u>	<u>Pensions</u>	<u>Other</u>	<u>Total</u>
CEO Jon Skule Storheill	403	87	-	56	8	554
CFO Øyvind Ryssdal	191	44	-	20	5	261
Total	595	131	-	76	13	815

<u>2017 Remuneration</u>	<u>Salary</u>	<u>Bonus</u>	<u>Share options</u>	<u>Pensions</u>	<u>Other</u>	<u>Total</u>
CEO Jon Skule Storheill	386	89	-	56	6	537
CFO Øyvind Ryssdal	148	46	-	12	4	209
Prev. CFO Snorre S. Krogstad*	247	-	-	27	18	292
Total	780	135	-	95	28	1 038

* Up until 30 September 2017

Loans, advances and guarantees

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

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 2018:

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 resignation or by redundancy.

NOTE 21 // RELATED PARTIES CONT.

Synthetic share option programme: At the Company's General Meeting held 22 August 2011, a synthetic option programme for the key management and other employees of the Company was adopted, limited to 2 % of the total number of outstanding shares. As of August 2018 all awarded and outstanding options lapsed, and no options were exercised throughout the duration of the programme.

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.

2018 Remuneration	Director's fee	Audit committee fee	Remuneration committee fee	Total
Sigurd E. Thorvildsen	43	-	6	49
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	139	12	12	163

2017 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	162

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

Board of Directors	Common shares	Synthetic options
Sigurd E. Thorvildsen	-	-
Jon-Aksel Torgersen	427 564	-
Henrik Fougner	-	-
Annette Malm Justad	-	-
Synne Syrrist	-	-
Total	427 564	-

Key management	Common shares	Synthetic options
CEO Jon Skule Storheill	140 000	-
CFO Øyvind Ryssdal	-	-
Total	140 000	-

NOTE 21 // RELATED PARTIES CONT.

Auditor's fee	2018	2017
Statutory audit	50	79
Other assurance services	-	2
Tax advisory	3	4
Total fees to auditor, excl. VAT	53	85

NOTE 22 // FINANCE LEASE LIABILITIES

Subsequent to delivery in 2013, 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 with repurchase obligations at the end of the lease period. The sale-leaseback agreements are assessed as financial lease arrangements by the Company, and MUSD 155 per vessel was recognised as a lease liability at commencement in 2013.

In May 2017 the bareboat agreements for both vessels were renegotiated. The leases were extended to 31 December 2019, and flexibility through rolling repurchase options was introduced. Furthermore, the amended agreements also include a front-loaded reduction in the bareboat hire payable to the lessor through the deferral of up to MUSD 29 in charter hire.

The contractual bareboat hire per day is USD 49,100 per vessel. From July 2017 to March 2018, the bareboat hire payable is USD 28,500 per day, from April 2018 to March 2019 USD 33,500 per day, and from April 2019 to December 2019 USD 38,500 per day. The deferred bareboat hire will become payable at maturity of the contracts, or by way of a cash sweep mechanism measured on a quarterly basis. Net earnings in excess of cash break even is to be swepted towards the outstanding deferred charter hire, subject to the Group retaining a minimum cash position after sweeping of approx. MUSD 23.5. Deferred charter hire as of 31 December 2018 was MUSD 19.9 in total for both vessels.

The purchase obligations at maturity of the lease agreements end December 2019 are MUSD 113.3 and MUSD 114.5 for WilForce and WilPride, respectively, in addition to the deferred hire.

According to the amended lease agreements a fee of MUSD 2 is payable to the lessor. The fee is payable either following voluntary prepayment of all, or parts, of the deferred amounts or on repurchase of the vessels. The fee has been capitalised as cost price of the vessels and depreciated over the term of the lease.

Deferred bareboat hire and outstanding fees are subject to an interest charge of LIBOR + 200 bps.

Until the lessor and the Group agrees to not defer any bareboat hire, the Company is restricted from paying dividends to its shareholders. The lease agreements impose no other financial covenants or commercial restrictions on the Group.

Changes to the renegotiated lease agreements are recognised prospectively over the remaining part of the lease as the cash flows are modified but material rights such as the contractual bareboat rate and the Group's obligation to repurchase the vessel at maturity of the lease period remains unchanged.

NOTE 22 // FINANCE LEASE LIABILITIES CONT

Carrying amount

The net carrying amount of the finance lease liabilities is presented as follows:

	31.12.2018	31.12.2017
Long-term interest bearing debt	-	263 907
Short-term interest bearing debt	266 683	2 682
Total	266 683	266 589

As the sale-leaseback agreements mature 31 December 2019 they are presented as current liabilities at at 31December 2018. The MUSD 2 fee and accrued interest MUSD 0.8 described above is included in short-term interest bearing debt as at 31 December 2018.

Payments towards finance lease liabilities

	2018		
	Principal	Interest	Total
Lease payments WilForce	1 336	9 558	10 894
Lease payments WilPride	1 399	9 495	10 894
Total	2 735	19 053	21 788

	2017		
	Principal	Interest	Total
Lease payments WilForce	2 813	10 680	13 493
Lease payments WilPride	2 767	10 725	13 493
Total	5 580	21 405	26 985

Future minimum lease payments and their present value

Per 31 December 2018

	< 1 year	1-5 yrs	> 5 yrs	Total
Minimum lease payments	286 243	-	-	286 243
Present value of min. lease payments	266 683	-	-	266 683

Per 31 December 2017

	< 1 year	1-5 yrs	> 5 yrs	Total
Minimum lease payments	23 555	283 477	-	307 032
Present value of min. lease payments	22 649	243 939	-	266 589

NOTE 22 // FINANCE LEASE LIABILITIES CONT

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Interest payable	Liabilities			Total
		Other non-current liabilities	Long-term interest bearing debt	Short-term interest bearing debt	
Balance as at 1 January 2018	-	2 000	263 907	2 682	268 589
Repayment of borrowings	-	-	-	(2 735)	(2 735)
Interest and borrowing costs paid	(19 053)	-	-	-	(19 053)
Total changes from financing cash flows	(19 053)	-	-	(2 735)	(21 788)

Liability related changes

Reclass from long-term to short-term		(2 000)	(263 907)	265 907	-
Non-cash movements		-	-	830	830
Balance as at 31 December 2018		-	-	266 683	

	Interest payable	Liabilities			Total
		Other non-current liabilities	Long-term interest bearing debt	Short-term interest bearing debt	
Balance as at 1 January 2017	-	-	258 984	13 820	272 804
Repayment of borrowings	-	-	-	(5 580)	(5 580)
Interest and borrowing costs paid	(21 405)	-	-	-	(21 405)
Total changes from financing cash flows	(21 405)	-	-	(5 580)	(26 985)

Liability related changes

Finance lease renegotiation costs		2 000	-	-	2 000
Non-cash movements		-	4 922	(5 558)	(636)
Balance as at 31 December 2017		2 000	263 907	2 682	

NOTE 23 // SUBSIDIARIES

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

Company name	Country	Principal activity	Date incorporated	Ownership/ voting share
Awilco LNG 1 AS	Norway	Former vessel SPV	2 February 2011	100 %
Awilco LNG 2 AS	Norway	Former vessel SPV	2 February 2011	100 %
Awilco LNG 3 AS	Norway	Former vessel SPV	2 February 2011	100 %
Awilco LNG 4 AS	Norway	Owner of LNG/C WilForce	6 May 2011	100 %
Awilco LNG 5 AS	Norway	Owner of LNG/C WilPride	6 May 2011	100 %
Awilco LNG Technical Management AS	Norway	Technical management	17 September 2012	100 %

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

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:

	31.12.2018	31.12.2017
Within 1 year	96	60
1 to 5 years	-	-
After 5 years	-	-
Total	96	60

NOTE 25 // EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date.



Parent Company Financial Statements and Notes

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INCOME STATEMENT

In NOK thousands

	Note	2018	2017
Operating income	6	5 383	3 191
Administration expenses	3	23 315	23 024
Earnings before interest, taxes, depr. and amort. (EBITDA)		(17 932)	(19 833)
Depreciation and amortisation		-	68
Impairment (reversals) of shares in subsidiaries	6	-	126 500
Earnings before interest and taxes		(17 932)	(146 401)
Finance income	4	16 807	5 810
Finance expenses	4	1 940	4 475
Net finance income/(expense)		14 867	1 335
Profit/(loss) before taxes		(3 066)	(145 066)
Income tax expense	5	-	-
Profit/(loss) for the period		(3 066)	(145 066)
Allocations/transfers of profit/(loss) for the period:			
Allocated to/(transferred from) retained earnings		(3 066)	(145 066)
Total allocations and transfers		(3 066)	(145 066)

BALANCE SHEET

In NOK thousands

	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Other fixed assets		46	46
Shares in subsidiaries	6	1 028 365	1 028 365
Total non-current assets		1 028 411	1 028 411
Current assets			
Short term receivables subsidiaries	6	2 215	1 767
Other short term assets		2 811	1 076
Cash and cash equivalents	7	134 446	138 152
Total current assets		139 471	140 995
TOTAL ASSETS		1 167 882	1 169 406
EQUITY AND LIABILITIES			
Equity			
Share capital	8	331 372	331 372
Share premium		748 849	748 849
Other paid-in capital	8	101 683	101 683
Retained earnings		(23 969)	(20 903)
Total equity		1 157 935	1 161 000
Non-current liabilities			
Pension liabilities	3	2 799	2 162
Total non-current liabilities		2 799	2 162
Current liabilities			
Short term payables subsidiaries	6	1 315	1 281
Trade payables		146	82
Provisions and accruals	9	5 687	4 881
Total current liabilities		7 148	6 244
TOTAL EQUITY AND LIABILITIES		1 167 882	1 169 406

Oslo, 3 April 2019



Sigurd E. Thorvildsen
Chairman of the Board



Henrik Fougner
Board member



Synne Syrrist
Board member



Jon-Aksel Torgersen
Board member



Annette Malm Justad
Board member



Jon Skule Storheill
CEO

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2018

In NOK thousands

	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2018	331 372	748 849	101 683	(20 903)	1 161 000
Profit/(loss) for the period	-	-	-	(3 066)	(3 066)
Balance as at 31 December 2018	331 372	748 849	101 683	(23 969)	1 157 935

For the period ended 31 December 2017

In NOK thousands

	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2017	271 155	690 357	-	124 163	1 085 675
Profit/(loss) for the period	-	-	-	(145 066)	(145 066)
Share capital reduction	(101 683)	-	101 683	-	-
Equity issue	161 899	64 760	-	-	226 659
Transaction costs equity issue	-	(6 268)	-	-	(6 268)
Balance as at 31 December 2017	331 372	748 849	101 683	(20 903)	1 161 000

CASH FLOW STATEMENT

In NOK thousands

	Note	2018	2017
Cash Flows from Operating Activities:			
Profit/(loss) before taxes		(3 066)	(145 066)
Items included in profit/(loss) not affecting cash flows:			
Depreciation and amortisation		-	68
Impairment of shares in subsidiaries	6	-	126 500
Changes in operating assets and liabilities:			
Other short term assets		(1 735)	(124)
Short term receivables/payables subsidiaries		(414)	4 671
Trade payables, provisions and accruals		1 508	1 757
i) Net cash provided by / (used in) operating activities		(3 706)	(12 195)
Cash Flows from Investing Activities:			
Investment in subsidiaries	6	-	(132 000)
Loans to/from subsidiaries	6	-	-
ii) Net cash provided by / (used in) investing activities		-	(132 000)
Cash Flows from Financing Activities:			
Issuance of shares, net of transaction costs	8	-	220 391
iii) Net cash provided by / (used in) financing activities		-	220 391
Net change in cash and cash equivalents (i+ii+iii)		(3 706)	76 196
Cash and cash equivalents at start of period	7	138 152	61 549
Cash and cash equivalents at end of period	7	134 446	138 152
Interest paid		1 887	1 108
Interest received		4 199	2 900

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 operation 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 Taxes.

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.

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 is required to provide a pension plan towards its onshore employees, and the Group has implemented a defined contribution plan. 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	2018	2017
Salaries and other remuneration	10 867	12 206
Social security cost	1 875	1 914
Pension	1 074	1 056
Other employee related expenses	145	167
Total employee related expenses	13 962	15 344
Management fees	1 428	1 787
Consultant, legal and auditor's fees	2 360	545
Other administration expenses	5 566	5 348
Total administration expenses	23 315	23 024

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

Number of employees	2018	2017
Employees year end	5	5
Average number of work years	5	5.8

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 contributions towards salary up until 12G is funded in a life insurance company. Defined contributions towards salary over 12G is funded by the Company. As at 31 December 2018 the Company's pension liability was TNOK 2 799 (31 December 2017 TNOK 2 162).

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	2018	2017
Carrying value liability	-	3
Option expense	(3)	(208)
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	2018	2017
Statutory audit	286	422
Other assurance services	-	20
Tax advisory	9	18
Total fees to auditor, excl. VAT	295	460

NOTE 4 // FINANCE INCOME AND EXPENSES

Finance income	2018	2017
Interest income	4 143	2 121
Interest income group companies	57	779
Currency gain	7 509	21
Dividends and group contributions from subsidiaries	2 215	146
Other finance income group companies	2 883	2 743
Total finance income	16 807	5 810

Finance expenses	2018	2017
Interest expense	55	16
Interest expense group companies	1 831	1 108
Currency loss	2	3 294
Other finance expenses	52	58
Total finance expenses	1 940	4 475

Currency gains and losses mainly relate to translation effects from bank accounts and balances with subsidiaries denominated in USD and translated into NOK at the balance sheet date.

See note 6 for a specification of finance income and expense group companies.

NOTE 5 // INCOME TAXES

Tax regime

The Company is subject to ordinary corporation tax in Norway at a tax rate of 23 % in 2018.

Income tax expense	2018	2017
Current income tax	-	-
Changes in deferred tax	-	-
Total income tax expense / (income)	-	-

Specification of basis for deferred tax	31.12.2018	31.12.2017
Other fixed assets	37	53
Provisions and accruals	-	3
Pension liabilities	2 799	2 162
Tax loss carry forward	30 501	30 038
Basis for deferred tax asset / (liability)	33 337	32 256
Not recognised deferred tax assets (basis)	(33 337)	(32 256)
Basis for deferred tax asset / (liability)	-	-
Tax rate *	22 %	23 %
Deferred tax asset / (liability)	-	-

* As of 1 January 2019 the tax rate in Norway was reduced from 23 % to 22 %.

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	2018	2017
Profit/(loss) before taxes	(3 066)	(145 066)
Tax based on ordinary tax rate (23 % in 2018, 24 % in 2017)	(705)	(34 816)
Effects from:		
Permanent differences	457	29 161
Not recognised deferred tax assets	248	5 655
Total income tax expense / (income)	-	-

Income tax payable	2018	2017
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 2018 the Company has the following subsidiaries:

Company name	Country	Principal activity	Date incorporated
Awilco LNG 1 AS	Norway	Former vessel SPV	2 February 2011
Awilco LNG 2 AS	Norway	Former vessel SPV	2 February 2011
Awilco LNG 3 AS	Norway	Former vessel SPV	2 February 2011
Awilco LNG 4 AS	Norway	Owner of LNG/C WilForce	6 May 2011
Awilco LNG 5 AS	Norway	Owner of LNG/C WilPride	6 May 2011
Awilco LNG Technical Management AS	Norway	Technical management	17 September 2012

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

Company name	Ownership/ voting share	Carrying amount 31.12.18	Carrying amount 31.12.17
Awilco LNG 1 AS	100 %	8 692	8 692
Awilco LNG 2 AS	100 %	1 146	1 146
Awilco LNG 3 AS	100 %	10 008	10 008
Awilco LNG 4 AS	100 %	373 800	373 800
Awilco LNG 5 AS	100 %	624 600	624 600
Awilco LNG Technical Management AS	100 %	10 120	10 120
Total carrying amount 31 December		1 028 365	1 028 365

Based on an assessment of the recoverable amount of shares in subsidiaries, no impairment charges have been recognised in 2018. In 2017 impairment charges were recognised towards the shares in subsidiaries Awilco LNG 1 AS and Awilco LNG 5 AS by NOK 0.3 million and NOK 126.2 million respectively.

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. 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 2018

Subsidiary	Long term loans(+) /borrowings(-)	Short term receivables	Short term payables
Awilco LNG 1 AS	-	-	2
Awilco LNG 2 AS	-	-	2
Awilco LNG 3 AS	-	-	2
Awilco LNG 4 AS	-	-	5
Awilco LNG 5 AS	-	-	7
Awilco LNG Technical Management AS	-	2 215	1 298
Total	-	2 215	1 315

Short term receivable TNOK 2 215 towards Awilco LNG Technical Management AS relates to group contribution.

Balances with subsidiaries as at 31 December 2017

Subsidiary	Long term loans(+) /borrowings(-)	Short term receivables	Short term payables
Awilco LNG 1 AS	-	-	2
Awilco LNG 2 AS	-	-	2
Awilco LNG 3 AS	-	-	2
Awilco LNG 4 AS	-	809	6
Awilco LNG 5 AS	-	811	-
Awilco LNG Technical Management AS	-	146	1 270
Total	-	1 767	1 281

Short term receivable TNOK 146 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	2018	2017
Awilco LNG 4 AS	2 932	1 645
Awilco LNG 5 AS	2 434	1 522
Total	5 366	3 167

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

Project management fee Awilco LNG Technical Management AS

A subsidiary of the Company, Awilco LNG Technical Management AS, provides project management services to the Company. In 2018 the Company paid a fee of TNOK 936 for these services (TNOK 912 in 2017).

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

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 11. A guarantee commission of TNOK 1 442 was charged each of the two subsidiaries in 2018 (TNOK 1 546 and 1 197 respectively in 2017).

Interest income from subsidiaries

Subsidiary	2018	2017
Awilco LNG 1 AS	-	-
Awilco LNG 2 AS	-	-
Awilco LNG 3 AS	-	-
Awilco LNG 4 AS	17	7
Awilco LNG 5 AS	27	753
Awilco LNG Technical Management AS	12	19
Total	57	779

Interest expenses subsidiaries

Subsidiary	2018	2017
Awilco LNG 1 AS	158	85
Awilco LNG 2 AS	26	15
Awilco LNG 3 AS	417	222
Awilco LNG 4 AS	495	611
Awilco LNG 5 AS	563	48
Awilco LNG Technical Management AS	172	126
Total	1 831	1 108

NOTE 7 // CASH AND CASH EQUIVALENTS

Currency	Code	31.12.2018		31.12.2017	
		FX rate	Carrying value	FX rate	Carrying value
US dollars	USD	8.6885	126 271	8.2050	124 764
Norwegian kroner	NOK	1	8 174	1	13 388
Total cash and cash equivalents			134 446		138 152

As at 31 December 2018 TNOK 703 was restricted cash related to employee withholding tax (31 December 2017 TNOK 745), TNOK 652 was restricted cash related to requirements from operating Awilco LNG's vessels (31 December 2017 TNOK 615) and TNOK 375 was restricted cash provided as deposit towards the office lease (NIL 31 December 2017).

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	31.12.2018	31.12.2017
Accrued expenses, invoice not received	791	178
Salary related provisions, incl. synthetic options	4 896	4 703
Total provisions and accruals	5 687	4 881

NOTE 10 // 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 11 // 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 bareboat charter agreements described in note 22 in the consolidated accounts.

NOTE 12 // EVENTS AFTER THE REPORTING DATE

Information on events after the reporting date is disclosed in note 25 in the consolidated accounts.



Auditor's Report

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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 2018, 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 2018, income statement, statements of comprehensive income, 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 2018, 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 2018 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 and the Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. 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 evaluation of vessels

Spot market conditions are volatile and seasonal, and as a result, management identified impairment indicators related to the vessels 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. The Group recognized an impairment of nil in the 2018 consolidated financial statements.

We have performed 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 and historical data. 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 Officer (management) are 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 on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements and) the going concern assumption 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, 3 April 2019

ERNST & YOUNG AS



Finn Ole Edstrøm

State Authorised Public Accountant (Norway)

Corporate governance

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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 17 October 2018 (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 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 objectives and strategies of the Company are presented in the annual report and are subject to annual assessments.

The Company’s social responsibility is set out in a separate section in the annual report.

3 EQUITY AND DIVIDENDS

The Company’s equity is assessed as appropriate based on its objectives, strategies and risk profile. The book equity of the Awilco LNG Group as per 31 December 2018 was USD 115.6 million, which represents an equity ratio of 29 %.

The Company’s long-term objective is to pay a regular dividend in support of the Company’s main objective to maximise return on invested capital. Following renegotiating of the sale/ leaseback agreements for WilForce and WilPride in 2017, the Group is restricted from paying dividends to its shareholders for as long as parts of bareboat hire is deferred. 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 to be explained.

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

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.

Where the board resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders based on a mandate granted to the Board of Directors, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the Company carries out in its own shares are carried out through the stock exchange and at prevailing stock exchange prices.

In the event of any material transactions between the Company and shareholders, Directors or close associates thereof, the transactions will be conducted on arm’s length terms and 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 38.6 % 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 the second quarter of each year, and 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 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 which 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 26 April 2018 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 the fourth quarter. The directors shall normally meet in person, but if so allowed by the Chairman, directors may participate in any meeting by means of telephone.

The allocation of responsibilities and tasks within the Board of Directors is regularly discussed and monitored. The Board is regularly briefed on the Company's financial situation, the vessels' chartering and market situation, liquidity situation and cash flow forecast, as well as any changes in the competition situation. The Board performs a yearly evaluation of its work.

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

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

10 RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the Company has satisfactory internal control procedures to manage its exposure to risks related to the conduct of the Company's business, including social responsibility, to ensure compliance with laws and regulations and to support the quality of its financial reporting. 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's ship management is subject to external supervision by Det Norske Veritas (DNV) for classification in accordance with

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 sub-management, 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 remuneration to executive personnel. The remuneration is based on a base salary, bonus and synthetic share options. The Board of Directors' annual 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 remuneration of executive personnel see note 21 in the consolidated accounts.

13 INFORMATION AND COMMUNICATION

The Company aims to keep shareholders, analysts, investors and other stakeholders continuously updated on the Company's operations and performance. 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. Information 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

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Social responsibility

INTRODUCTION

The Awilco LNG Group (Awilco LNG or the Company) has implemented a set of objectives, principles and procedures concerning our 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 to meet all environmental protection requirements, 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. Marine transportation is generally considered 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 2018 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.

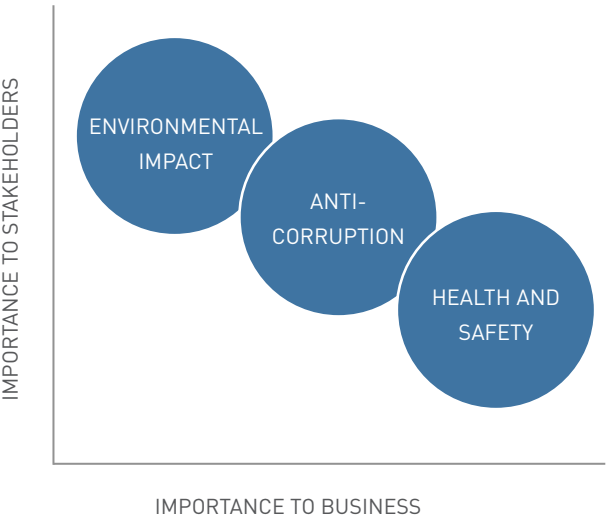
In general, global marine transportation has a significant effect on the environment. Awilco LNG takes this impact seriously, working continuously to reduce our environmental footprint through improving fuel efficiency, optimising trade routes and improving waste management.

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. The following issues have been assessed as the most material based

on both their importance to Awilco LNG's business and to Awilco LNG's stakeholders such as employees, customers, suppliers, regulators and investors:



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 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 2018

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 2018	RESULT 2017
LTIF (Lost time injury frequency)	Number of accidents per one-million man hours worked	2.2	0.0
TRCF (Total recordable case frequency)	The sum of all work related, lost time injuries, restricted work injuries and medical treatment injuries	4.4	0.0
Number of fatalities due to injuries	Number of deaths among the crew resulting from a work injury	NIL	NIL

Going forward

Performance in 2018 was not satisfactory, and in 2019 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
- 3. 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 fueled 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 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 substantial 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. Both WilForce and WilPride are built and specified to the highest standard and latest eco-friendly technology, including ballast water treatment systems

- Establish contingency plans and execute drills and training to improve emergency preparedness to meet situations which represent dangers to life, health, environment, ship and cargo

- See to it that a safety management culture is implemented within the Company

- Use a reporting system for accidents, near accidents, non-conformities and improvements, with special attention to the learning effect through feedback of experience and suggestions for improvement

- Optimisation of hull and propeller cleaning intervals to reduce fuel consumption

- Implement a policy of environmentally friendly purchasing, where procurement and purchasing activities shall address environmental aspects, such as:

- o Reducing packaging volumes;
- 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 2018

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:

Going forward

In 2019 Awilco LNG will continue efforts to reduce the Company’s environmental footprint.

KPI	DEFINITION	RESULT 2018	RESULT 2017
Number of releases of substances to the environment	The number of releases of substances covered by MARPOL Annex 1-6 to the environment	NIL	NIL
CO2 efficiency	The total mass of emitted CO2 in grams per cargounit-mile	6.13	6.4
NOx efficiency	The total mass of emitted NOx in grams per cargounit-mile	0.06	NIL
SOx efficiency	The total mass of emitted SOx in grams per cargounit-mile	0.001	0.01



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 2018

As in previous years, 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 previous years are upheld.



Alternative performance measures

Alternative performance measures (APMs), defined as 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 between reporting periods, 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 IFRS. Disclosures of APMs are subject to established internal control procedures. Awilco LNG's financial APMs:

- Net freight income*: freight income – voyage related expenses
- EBIT: Net freight income - operating expenses - administration expenses - depreciation and amortisation - impairments
- EBITDA: EBIT + depreciation and amortisation + impairments
- Interest bearing debt: long-term interest bearing debt + short-term interest bearing debt + pension liabilities + other non-current liabilities
- Book equity ratio: Total equity divided by total assets

**When vessels operate in the spot market, freight income includes bunkers compensation and the fuel element of ballast bonuses, whereas voyage related expenses include the corresponding bunkers costs and other repositioning costs. The APM net freight income adjusts for this grossing up, and provides for improved comparability of the Group's performance between periods.*



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