



## THIRD QUARTER 2019 RESULTS

### Highlights third quarter

- The Awilco LNG Group (Awilco LNG or the Group) reported net freight income of MUS\$ 6.3 (MUS\$ 2.7 in Q2 2019) and EBITDA of MUS\$ 7.4 (MUS\$ (0.2) in Q2 2019).
- 90 % utilisation on the WilPride, WilForce off-hire and idle following the collision in May 2019.
- On 9 July WilPride was delivered on an 8-month time charter contract to an oil and gas major. The vessel is expected to contribute an annualised EBITDA of about MUS\$ 23 during the charter period.
- On 2 August 2019 a term sheet for the refinancing of the Company's two vessels was agreed and signed with CCB Financial Leasing Co. Ltd. (CCBFL). On 18 October 2019 the facility was credit approved. The sale/leaseback facility has a 10-year tenor and is expected to enable a full take out of the Company's current sale/leaseback facilities at attractive terms. The facility is expected to close in Q4 2019 / Q1 2020 subject to documentation and customary closing conditions.
- WilForce completed repairs at yard in Singapore in mid-September. Loss of hire insurance at USD 65,000 per day compensated for some of the lost time charter hire in the period. Awilco LNG has a substantial claim towards the ship responsible for the collision. Settlement and collection of the claim is expected to take some time.

### Key financial figures

USD million	Q3'19	Q2'19	Q1'19	2018
Freight income	6.7	3.9	9.4	40.0
Voyage related expenses	0.4	1.1	1.0	5.1
EBITDA	7.4	(0.2)	5.0	22.4
Net profit/(loss)	(1.1)	(8.6)	(3.4)	(11.4)
Total assets	377.1	386.6	386.0	393.6
Total equity	102.6	103.7	112.2	115.6
Interest bearing debt	262.5	264.4	266.2	267.0
Cash and cash equivalents	14.0	16.4	18.7	22.5
Book equity ratio	27 %	27 %	29 %	29 %

## FINANCIAL REVIEW

### *Income statement third quarter 2019*

Freight income for the quarter was MUSD 6.7, up from MUSD 3.9 in Q2 2019. The whole amount was attributable to WilPride which was delivered on an 8-month contract on 9 July. Subsequent to being struck by another vessel end of May 2019, WilForce was off-hire until repairs were completed in mid-September. Loss of hire insurance at USD 65,000 per day compensated for some of the lost time charter hire in the off-hire period, totaling MUSD 4.4 in the third quarter and MUSD 1.1 in Q2 2019 (presented as other income in the income statement). Fleet utilisation for the quarter ended at 45 % compared to 56 % in the previous quarter due to the extensive off-hire on the WilForce following the collision (not including offhire days covered by loss of hire insurance). Voyage related expenses amounted to MUSD 0.4, down from MUSD 1.1 in Q2 2019.

Operating expenses were MUSD 2.3 in the quarter compared to MUSD 2.7 in Q2 2019. Total expenses towards repairs of vessel damage regarding machinery and collision damage to the WilForce was MUSD 0.6 in Q3 (MUSD 5.6 Q2 2019). Corresponding hull & machinery insurance claims totaling MUSD 0.4 was recognised as other income in Q3 2019 (MUSD 6.0 in Q2 2019).

Administration expenses were MUSD 0.8 in Q3 compared to MUSD 0.7 in Q2 2019. EBITDA for the quarter was MUSD 7.4 (MUSD (0.2) Q2 2019) and depreciation for the quarter was MUSD 3.3, same as in Q2 2019.

Net financial items were MUSD (5.2) compared to MUSD (5.1) in Q2 2019. Interest expenses on the WilForce and WilPride financial leases amounted to MUSD 5.2, same as in Q2 2019.

Loss for the period was MUSD 1.1 compared to MUSD 8.6 in Q2 2019.

### *Statement of financial position*

Book value of vessels was MUSD 353.3 as at 30 September 2019 (MUSD 356.5 Q2 2019).

Total current assets were MUSD 23.8 as at 30 September 2019 (MUSD 30.1 Q2 2019), including insurance claims of MUSD 5.1 relating to repairs and loss of hire on the WilForce (MUSD 6.7 Q2 2019) and cash and cash equivalents MUSD 14.0 (MUSD 16.4 Q2 2019).

Total equity as at 30 September 2019 was MUSD 102.6 (MUSD 103.7 Q2 2019).

Total current liabilities were MUSD 274.1 as at 30 September 2019 (MUSD 282.5 Q2 2019), of which MUSD 262.2 was related to the WilForce and WilPride financial lease liabilities (MUSD 264.1 Q2 2019) and MUSD 4.7 provisions for repair of WilForce (MUSD 8.9 Q2 2019). Total deferred bareboat hire towards the financial leases was MUSD 26.6 as at 30 September 2019 (MUSD 24.6 Q2 2019), which is included in the total financial lease liabilities above.

The repurchase obligations for WilForce and WilPride mature 31.12.2019 plus/minus 60 days in the Group's favour. On 2 August 2019 a term sheet for the refinancing of the Company's two vessels was agreed and signed with CCB Financial Leasing Co. Ltd. (CCBFL). On 18 October 2019 the facility was credit approved. The sale/leaseback facility has a 10-year tenor and is expected to enable a full take out of the Company's current sale/leaseback facilities at attractive terms. The facility is expected to close in Q4 2019 / Q1 2020 subject to documentation and customary closing conditions, see note 4 for further information.

## **MARKET UPDATE**

The exceptional growth in LNG trade recorded in the first half of the 2019 continued in Q3. According to Fearnleys LNG total LNG trade is up about 13 % in the first nine months of the year vs last year. In line with normal seasonal patterns gas prices inched upwards in Q3 but remained historically low due to increased production and muted demand in the Far East. Far east gas prices started the quarter at USD 4.5/MMBTU and ended at USD 5.5/MMBTU, whereas UK NBP started Q3 at USD 3.5/MMBTU and closed at USD 5.4/MMBTU. Henry Hub opened at USD 2.3/MMBTU and closed at same.

Due to a relatively mild winter reducing gas demand for power generation and higher nuclear power generation in Japan and South Korea, LNG imports decreased by 8 and 9 % y-o-y Jan-Sept respectively, whereas imports to India were up 3 % and imports to China increased by about 21 % y-o-y. Europe has been the main buyer of incremental LNG volumes in 2019, growing imports by 74 % y-o-y to about 65 MT and taking advantage of low gas prices to switch its energy mix from coal to gas. European storage levels were about 97 % full at the end of Q3, which is about two months early compared to historical average peak of pre-winter up-stocking. As a result, and in combination with contango in gas prices in the Far East, a number of LNG carriers have been employed as storage in both basins.

Total shipping demand as expressed by growth in ton-mile increased by about 7 % in the first nine months of 2019 compared to a fleet growth of 9 % according to Fearnleys LNG. Taking into account storage and slow steaming (ton-time), shipping demand increased by about 12 % in the period, which supported a firming shipping market. According to Fearnleys LNG headline spot TFDE day rates started the quarter at USD 50,000 and USD 40,000 per day West and East of Suez respectively, and gradually increased to USD 88,000 and USD 83,000 respectively end Q3. Ballast bonus compensation improved along with the increase in headline rates.

In spite of the current low gas price environment, with global gas prices at their lowest for 10 years, 2019 has seen an all-time high in final investment decisions on new liquefaction capacity. A total of 64 MTPA of new capacity has been sanctioned in 2019, representing about 20 % of total LNG traded in 2018 at 325 MTPA. In total 111 MTPA of new LNG production capacity is under construction and expected to commence production in 2020 to 2026. According to market analysts a further approx. 800 MTPA of new LNG production is in various stages of planning.

33 vessels were delivered in the first nine months of 2019 and a further 6 vessels are scheduled for delivery in the remainder of 2019. Year to date 34 vessels have been ordered of which 20 are assumed speculative. 24 of the 34 newbuild orders were placed in H1 2019 and the ordering pace appears to have subsided in H2 2019. According to shipbrokers the current orderbook for LNG vessels above 150,000 cbm (excl. FSRU and FLNG) is 106 vessels, of which about 40 are assumed available for contract. 40 vessels are scheduled for delivery in 2020, 44 in 2021, 16 in 2022 and 1 in 2023.

## **ORGANISATION**

The principal activity of Awilco LNG ASA and its subsidiaries is to invest in and operate LNG transportation vessels. Technical and commercial management of the fleet is performed from the Group's office in Oslo, Norway. The Group has 8 employees and Awilco LNG purchases certain administrative and sub-management technical services from two companies in the Awilhelmsen Group; Awilhelmsen Management AS and Awilco Technical Services AS, see note 6 for further details.

## **VESSEL CONTRACT STATUS**

WilPride was delivered 9 July 2019 on an 8-month time charter contract to an oil and gas major and is expected to be redelivered in March 2020.

WilForce is trading in the spot/short term market.

## OUTLOOK

Spot shipping rates are currently reported at about USD 117,500 per day on average. Last year's high in the spot market was largely demand driven due to up-stocking ahead of winter in the Far East. The story this year is so far completely different as demand has been muted in the Far East and the firm shipping market at time of writing is largely a result of the exceptional growth in LNG volumes. Europe's gas storage is full, available vessels in all basins is limited and about 25 LNG carriers are currently used for storage, illustrating the value of LNG carriers as storage in periods of market imbalances.

Over 100 MTPA of new LNG production capacity under construction is expected to start up the next five years. Tonnage demand and supply appear balanced going forward, noting that about 50 % of the new production capacity is being built in the US, which may underpin demand for LNG carriers beyond current fleet and orderbook. However, periods of volatility and seasonality should be expected.

Natural gas is currently priced less than half of oil on an energy equivalent basis. Increasing global focus and awareness on environmental issues coupled with the current low gas price is expected to trigger further growth in the share of gas in the global energy mix.

The Company's refinancing has been secured on attractive terms and is expected to close in Q4 2019 / Q1 2020. Efforts to consolidate with other ship owners are still ongoing, however, outcome of these discussions is still unclear. Awilco LNG has one vessel on contract until March 2020 and is well positioned in this growing market.

Oslo, 14 November 2019

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

**Jon-Aksel Torgersen**  
*Board member*

**Henrik Fougner**  
*Board member*

**Annette Malm Justad**  
*Board member*

**Synne Syrrist**  
*Board member*

**Jon Skule Storheill**  
*CEO*

## Interim Condensed Consolidated Income Statement

*In USD thousands, except per share figures*

		Q3 2019	Q2 2019	Q3 2018	1.1 - 30.9 2019	1.1 - 30.9 2018
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Freight income	2	6 710	3 853	8 602	19 913	28 844
Voyage related expenses	6	379	1 128	1 252	2 502	4 409
<b>Net freight income</b>		<b>6 331</b>	<b>2 725</b>	<b>7 350</b>	<b>17 411</b>	<b>24 435</b>
Other income	4	4 750	6 131	4 000	11 750	4 000
Operating expenses		2 347	2 692	2 216	7 190	6 131
Repair of vessel damage expenses	4	551	5 617	4 500	7 290	4 500
Administration expenses	6	810	714	793	2 474	2 503
<b>Earnings before interest, taxes, depr. and amort. (EBITDA)</b>		<b>7 372</b>	<b>(168)</b>	<b>3 841</b>	<b>12 208</b>	<b>15 301</b>
Depreciation and amortisation		3 276	3 269	3 290	9 798	9 801
<b>Earnings before interest and taxes (EBIT)</b>		<b>4 096</b>	<b>(3 437)</b>	<b>551</b>	<b>2 410</b>	<b>5 500</b>
Finance income		126	124	125	367	587
Finance expenses		5 289	5 248	5 432	15 766	16 356
<b>Net finance income/(expense)</b>		<b>(5 163)</b>	<b>(5 125)</b>	<b>(5 307)</b>	<b>(15 399)</b>	<b>(15 769)</b>
<b>Profit/(loss) before taxes</b>		<b>(1 067)</b>	<b>(8 562)</b>	<b>(4 756)</b>	<b>(12 989)</b>	<b>(10 269)</b>
Income tax expense		-	-	-	-	-
<b>Profit/(loss) for the period</b>		<b>(1 067)</b>	<b>(8 562)</b>	<b>(4 756)</b>	<b>(12 989)</b>	<b>(10 269)</b>
Earnings per share in USD attributable to ordinary equity holders of Awilco LNG ASA:						
Basic, profit/(loss) for the period		(0.01)	(0.06)	(0.04)	(0.10)	(0.08)
Diluted, profit/(loss) for the period		(0.01)	(0.06)	(0.04)	(0.10)	(0.08)

## Interim Consolidated Statement of Comprehensive Income

Profit/(loss) for the period	(1 067)	(8 562)	(4 756)	(12 989)	(10 269)
<b>Other comprehensive income:</b>					
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>(1 067)</b>	<b>(8 562)</b>	<b>(4 756)</b>	<b>(12 989)</b>	<b>(10 269)</b>

## Interim Condensed Consolidated Statement of Financial Position

<i>In USD thousands</i>		<b>30.9.2019</b>	<b>30.6.2019</b>	<b>31.12.2018</b>	<b>30.9.2018</b>
	<b>Note</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Vessels (right-of-use assets)		353 315	356 477	362 110	360 892
Other fixed assets		12	12	12	12
<b>Total non-current assets</b>		<b>353 328</b>	<b>356 490</b>	<b>362 122</b>	<b>360 904</b>
<b>Current assets</b>					
Trade receivables		88	776	2 749	4 754
Inventory		1 614	2 963	1 377	663
Other short term assets		8 046	9 885	4 772	7 754
Cash and cash equivalents		14 004	16 438	22 540	24 250
<b>Total current assets</b>		<b>23 752</b>	<b>30 062</b>	<b>31 438</b>	<b>37 421</b>
<b>TOTAL ASSETS</b>		<b>377 080</b>	<b>386 552</b>	<b>393 560</b>	<b>398 325</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	3	49 407	49 407	49 407	49 407
Share premium	3	133 384	133 384	133 384	133 384
Other paid-in capital		18 157	18 157	18 157	18 157
Retained earnings		(98 345)	(97 278)	(85 356)	(84 190)
<b>Total equity</b>		<b>102 603</b>	<b>103 670</b>	<b>115 592</b>	<b>116 759</b>
<b>Non-current liabilities</b>					
Pension liabilities		364	369	322	322
Long-term interest bearing debt		-	-	-	258 552
Other non-current liabilities		-	-	-	2 000
<b>Total non-current liabilities</b>		<b>364</b>	<b>369</b>	<b>322</b>	<b>260 875</b>
<b>Current liabilities</b>					
Short-term interest bearing debt	5	262 179	264 074	266 683	6 376
Trade payables		3 769	6 758	1 323	3 414
Income tax payable		-	-	-	-
Provisions and accruals	7	8 164	11 682	9 640	10 901
<b>Total current liabilities</b>		<b>274 113</b>	<b>282 513</b>	<b>277 646</b>	<b>20 692</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>377 080</b>	<b>386 552</b>	<b>393 560</b>	<b>398 325</b>

## Interim Consolidated Statement of Changes in Equity

### For the period ended 30 September 2019

<i>In USD thousands</i>	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2019	49 407	133 384	18 157	(85 356)	115 592
Profit/(loss) for the period	-	-	-	(12 989)	(12 989)
Other comprehensive income for the period	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	(12 989)	(12 989)
<b>Balance as at 30 September 2019 (unaudited)</b>	<b>49 407</b>	<b>133 384</b>	<b>18 157</b>	<b>(98 345)</b>	<b>102 603</b>

### For the period ended 30 September 2018

<i>In USD thousands</i>	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	-	-	-	(10 269)	(10 269)
Other comprehensive income for the period	-	-	-	-	-
<i>Total comprehensive income</i>	-	-	-	(10 269)	(10 269)
<b>Balance as at 30 September 2018 (unaudited)</b>	<b>49 407</b>	<b>133 384</b>	<b>18 157</b>	<b>(84 190)</b>	<b>116 759</b>

## Interim Condensed Consolidated Cash Flow Statement

<i>In USD thousands</i>	Q3 2019 (unaudited)	Q2 2019 (unaudited)	1.1 - 30.9 2019 (unaudited)	1.1 - 30.9 2018 (unaudited)
<b>Cash Flows from Operating Activities:</b>				
Profit/(loss) before taxes	(1 067)	(8 562)	(12 989)	(10 269)
Income taxes paid	-	-	-	-
Interest and borrowing costs expensed	5 190	5 213	15 617	16 161
<i>Items included in profit/(loss) not affecting cash flows:</i>				
Depreciation and amortisation	3 276	3 269	9 798	9 801
<i>Changes in operating assets and liabilities:</i>				
Trade receivables, inventory and other short term assets	3 876	(2 805)	1 537	(2 495)
Trade payables, provisions and accruals	(6 510)	8 529	(1 375)	4 472
<b>i) Net cash provided by / (used in) operating activities</b>	<b>4 764</b>	<b>5 644</b>	<b>12 589</b>	<b>17 670</b>
<b>Cash Flows from Investing Activities:</b>				
Investment in vessels / sale of vessels	(114)	(853)	(1 004)	(6 776)
<b>ii) Net cash provided by / (used in) investing activities</b>	<b>(114)</b>	<b>(853)</b>	<b>(1 004)</b>	<b>(6 776)</b>
<b>Cash Flows from Financing Activities:</b>				
Repayment of borrowings	(2 192)	(2 083)	(5 354)	(1 714)
Interest and borrowing costs paid	(4 892)	(4 924)	(14 767)	(13 910)
<b>iii) Net cash provided by / (used in) financing activities</b>	<b>(7 084)</b>	<b>(7 007)</b>	<b>(20 121)</b>	<b>(15 624)</b>
<b>Net change in cash and cash equivalents (i+ii+iii)</b>	<b>(2 434)</b>	<b>(2 216)</b>	<b>(8 536)</b>	<b>(4 729)</b>
Cash and cash equivalents at start of period	16 438	18 653	22 540	28 979
<b>Cash and cash equivalents at end of period</b>	<b>14 004</b>	<b>16 438</b>	<b>14 004</b>	<b>24 250</b>

## Notes to the Interim Condensed Consolidated Financial Statements

### Note 1 - Corporate information, basis for preparation and accounting policies

#### Corporate information

Awilco LNG ASA (the Parent Company) is a public limited liability company incorporated and domiciled in Norway. The Parent Company's registered office is Beddingen 8, 0250 Oslo, Norway.

The interim consolidated financial statements (the Statements) of the Parent Company comprise the Parent Company and its subsidiaries, together referred to as the Group. The principal activity of the Group is the investment in and operation of LNG transportation vessels. The Group owns and operates two modern TFDE LNG carriers.

#### Basis for preparation

The Statements for the three months ended 30 September 2019 are prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The Statements have not been subject to audit or review. The Statements do not include all of the information and disclosures required by International Financial Reporting Standards (IFRS) for a complete set of financial statements, and the Statements should be read in conjunction with the Group's annual consolidated financial statements for the period ended 31 December 2018, which includes a detailed description of the applied accounting policies.

#### Significant accounting policies

The accounting policies adopted in the preparation of the Statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, with the exception of IFRS 16 Leases implemented with effect from 1 January 2019.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Thus IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group has previously under IAS 17 where the Group is the lessee accounted for lease agreements on-balance and recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Thus IFRS 16 did not have an impact for leases where the Group is the lessee.

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

#### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Leased assets with repurchase obligations at the end of the lease term are separated into components which are depreciated over the useful life of the component. Right-of-use assets are subject to impairment.

## **Note 1 - Corporate information, basis for preparation and accounting policies - cont.**

### ***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include repurchase obligations or alternatively the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest based on the effective interest method and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and office lease (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### ***Significant judgement in determining the lease term of contracts with renewal options***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

### ***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.

## **Note 2 - Segment information**

### ***Operating segments***

The Group 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 Q3 2019, same as in Q2 2019.

### ***Information about major customers***

The Group had one customer contributing with more than 10 per cent of the Group's freight income in Q3 2019, at 100 % of total revenue, and three in Q2 2019 at 10, 45 and 45 % of total revenue.

## **Note 3 - Share capital**

The number of issued shares was 132,548,611 as at 30 September 2019. There were no changes in shares issued in Q3 2019. The share capital is denominated in NOK, and the nominal value per share is NOK 2.5. All issued shares are of equal rights.

## **Note 4 - Significant events in the quarter**

### **Refinancing of WilForce and WilPride secured**

On 2 August 2019 a term sheet for the refinancing of the Company's two vessels was agreed and signed with CCB Financial Leasing Co. Ltd. (CCBFL), a wholly owned subsidiary of China Construction Bank (CCB). On 18 October 2019 the facility was credit approved. CCBFL is a leading leasing house in China and CCB is one of the largest banks in the world.

The sale/leaseback facility is expected to enable a full take out of the Company's current sale/leaseback facilities at attractive terms. The facility bears a 14-year straight line amortisation profile, a tenor of 10 years and carries a floating interest rate structure based on 3-month USD libor. The Company has repurchase obligations at maturity and rolling repurchase options.

The facility is expected to close in Q4 2019 / Q1 2020 subject to final documentation and customary closing conditions.

### **WilPride time charter contract**

On 9 July 2019 WilPride was delivered on an 8-month time charter contract to an oil and gas major.

The contract is estimated to contribute an annualised EBITDA of about MUSD 23 during the charter period.

### **Repairs of WilForce collision**

On 30 May 2019 WilForce was involved in a collision off Singapore which caused only hull damage and no harm to life or the environment. Repairs at yard in Singapore were completed in mid-September.

Total repair costs (pending settlement of final invoices) are estimated at MUSD 4.6. A corresponding estimated insurance claim of MUSD 3.9 has been recognised as other income. The estimated net repair cost of MUSD 0.7 reflects a deductible and certain other non-claimable costs.

The vessel had loss of hire insurance at USD 65,000 per day which compensated for some of the lost time charter hire. A total of MUSD 5.5 in loss of hire insurance has been recognised as other income in Q2 (MUSD 1.1) and Q3 2019 (MUSD 4.4), of which USD 0.8 was not received on account as at 30.9.2019 and thus included in other short term assets.

Based on an assessment of facts and legal advice Awilco LNG holds the other vessel fully and completely liable for the collision, and the Company expects to recover all costs, expenses and losses from the other party, including insurance deductibles, off-hire and lost time charter hire, in due course. This claim will not be reflected in Awilco LNG's financial statements until the awarded compensation is determined.

## **Note 5 - Financing**

Both vessels are currently financed by sale/leaseback agreements with Teekay LNG Partners L.P., which mature 31 December 2019 +/- 60 days in Awilco LNG's option and are therefore presented as current liabilities. Awilco LNG has repurchase obligations at maturity.

The contractual bareboat hire per day is USD 49,100 per vessel. From July 2017 to March 2018, the 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 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 at approx USD 58,000 per day, is to be swept 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 30 September 2019 was MUSD 26.6 in total for both vessels (MUSD 24.6 as at 30 June 2019).

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

## Note 5 - Financing - cont.

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 by repurchase of the vessels. The fee has been capitalised as cost price of the vessels and depreciated over the term of the lease.

Until the lessor and the Group agrees to not defer any bareboat hire, the Parent Company is restricted from paying dividends to its shareholders.

Please see note 4 for information on the refinancing facility secured and expected to close in Q4 2019 / Q1 2020.

## Note 6 - Related party transactions

### Agreements

Related party	Description of service	Note
Awilco Technical Services AS (ATS)	Technical Sub-management Services	1
Awilhelmsen Management AS (AWM)	Administrative Services	2
Fearnleys AS	Ship Brokering Services	3

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

(2) AWM provides the Group with administrative and general services including accounting and payroll, legal, secretary function and IT. The Group pays AWM MNOK 2.1 in yearly management fee (approx. MUSD 0.2) 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 Parent Company's Board Members is employed by Astrup Fearnley AS. Fearnleys AS, a subsidiary of Astrup Fearnley AS, delivers ship brokering services on a competitive basis to the Group.

### Purchases from related parties

<i>In USD thousands</i>	Q3	Q2	1.1 - 30.9	1.1 - 30.9
Related party	2019	2019	2019	2018
Awilco Technical Services AS	142	150	438	453
Awilhelmsen Management AS	56	59	174	185
Fearnleys AS	-	-	13	67

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

## Note 7 - Provisions and accruals

Provisions and accruals as at 30 September 2019 were MUSD 8.2 (MUSD 11.7 as at 30 June 2019), of which provisions for repairs of WilForce MUSD 4.7 (MUSD 8.9 30 June 2019) and deferred income MUSD 2.5 (NIL).

## Note 8 - Events after the balance sheet date

On 18 October 2019 the sale/leaseback refinancing facility was credit approved by CCBFL, please see note 4 for further information.

## Appendix 1

### ALTERNATIVE PERFORMANCE MEASURES

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

These measures are adjusted IFRS measures defined, calculated and used consistently. Operational measures such as, but not limited to, volumes, utilisation and prices per MMBTU are not defined as financial APMs. Financial APMs should not be considered as a substitute for measures of performance in accordance with 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
- TCE (time charter equivalent): net freight income including loss of hire insurance divided by the number of calendar days less off-hire days not covered by loss of hire insurance

\*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.