



## SECOND QUARTER 2016 AND FIRST HALF YEAR 2016 RESULTS

### Highlights second quarter

- Awilco LNG ASA (Awilco LNG or the Company) reported freight income of MUS\$ 8.3 (MUS\$ 8.9 in Q1 2016) and EBITDA of MUS\$ 4.2 (MUS\$ 4.9 in Q1 2016).
- The 1983 and 1984 built 125,000 cbm 2<sup>nd</sup> generation LNG carriers WilEnergy and WilGas agreed sold for a combined gross sales price of MUS\$ 31.6.
- Vessel utilisation of 76 % compared to 78 % in Q1 2016 (trading vessels).

### Subsequent events

- WilEnergy and WilGas were sold and delivered to new owner on 18 August 2016, contributing with a net positive cash effect of MUS\$ 32.2 including settlement of bunkers and lubes.

### Key financial figures

USD million	Q2'16	Q1'16	Q4'15	2015
Freight income	8.3	8.9	9.6	37.4
Voyage related expenses	1.1	0.7	0.7	4.9
EBITDA	4.2	4.9	5.8	15.8
Net profit/(loss)	(11.5)	(4.6)	(12.6)	(36.3)
Total assets	423.1	437.9	445.5	445.5
Total equity	139.5	151.0	155.6	155.6
Interest bearing debt	279.6	282.7	285.8	285.8
Cash and cash equivalents	5.7	10.8	17.3	17.3
Book equity ratio	33 %	34 %	35 %	35 %

## **FINANCIAL REVIEW**

### *Income statement second quarter 2016*

Freight income for the quarter was MUSD 8.3, down from MUSD 8.9 in the previous quarter. The decrease was due to a reduction in rates and utilisation of WilPride, from 57 % in Q1 to 51 % this quarter. Fleet utilisation for the quarter ended at 76 %, compared to 78 % in Q1 2016 (trading vessels). Voyage related expenses were MUSD 1.1, compared to MUSD 0.7 in the previous quarter.

Operating expenses were MUSD 2.3 (MUSD 2.4 in Q1 2016). Administration expenses for the quarter were MUSD 0.7 (MUSD 1.0 in Q1 2016). EBITDA for the quarter was MUSD 4.2 (MUSD 4.9 Q1 2016). Depreciation for the quarter was recorded at MUSD 3.4, compared to MUSD 3.6 in Q1 2016. The decrease in depreciation was due to reclassifying WilEnergy and WilGas as held for sale subsequent to entering into a firm agreement to sell the vessels on 31 May 2016.

Net financial items were MUSD (5.8), same as in the previous quarter. Interest expenses on the WilForce and WilPride financial leases amounted to MUSD 5.8 (MUSD 5.9 in Q1 2016).

An impairment loss of MUSD 6.6 was recorded in the quarter related to the sale of the two second generation vessels. Loss for the period was MUSD 11.5, compared to a loss of MUSD 4.6 in Q1 2016.

### *Income statement first half year 2016*

For the first half of 2016, freight income was MUSD 17.2, compared to MUSD 19.4 in the first half of 2015. Voyage related expenses were MUSD 1.8 (MUSD 3.1), operating expenses MUSD 4.7 (MUSD 6.9) and administration expenses were MUSD 1.7 (MUSD 2.2). EBITDA in the first half of 2016 was MUSD 9.1, an increase from MUSD 7.2 in the first half of 2015. Net loss for the period was MUSD 16.1, compared to MUSD 16.4 in the first half of 2015.

### *Statement of financial position*

Book value of vessels was MUSD 377.6 as at 30 June 2016 (MUSD 418.9 31 March 2016). The decrease reflects presentation of WilEnergy and WilGas as held for sale, amounting to MUSD 32.2, in addition to ordinary depreciation during the quarter. The 1983 and 1984 built second generation LNG carriers WilEnergy and WilGas were agreed sold on 31 May 2016, and are presented as held for sale in the statement of financial position together with remaining quantities of bunkers and luboils on board. The vessels were delivered to its new owners on 18 August 2016, together with settlement of the sales proceeds.

Total current assets were MUSD 13.2 as at 30 June 2016 (MUSD 18.9 as at 31 March 2016), of which cash and cash equivalents were MUSD 5.7 (MUSD 10.8 Q1 2016).

Total equity as at 30 June 2016 was MUSD 139.5.

Total current liabilities were MUSD 17.3 as at 30 June 2016 (MUSD 17.2 Q1 2016). MUSD 13.3 of the current liabilities relates to the short term portion of the WilForce and WilPride financial leases (MUSD 13.0 as at 31 March 2016).

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

## **MARKET UPDATE**

After two years of continuous price fall, the Far East gas price seems to have stabilized during the quarter. The price started the quarter at USD 4.4 /MMBTU and firmed slightly to USD 5.16 /MMBTU at the end of the quarter. The UK NBP price followed same trend, starting at about USD 3.78 /MMBTU and ending at USD 4.6/MMBTU. The moderately firming gas prices had unfortunately little effect on the arbitrage opportunities as the spread remained low, resulting in continued pressure on ton-mile.

LNG imports to Japan, South Korea and China were all down compared to Q1. Compared to same period last year imports to China and Japan were up 26 % and 10 % respectively.

New LNG production capacity added over the last 6 months has resulted in a reduction in the number of available vessels during the quarter and according to analysts the number of spot cargoes have increased to 144 for first half 2016 up from 90 during same period last year. The rates improved marginally during the quarter, starting at USD 30,000 per day and USD 32,000 per day at the beginning of the quarter for vessels open in the Far East and Atlantic respectively, ending at USD 30,000 and USD 35,000. However, after the end of the quarter rates have continued the positive trend, and fixtures in the high USD 40,000s have been reported in the Atlantic.

After a two year shut down, the 5.2 MTPA Angolan LNG plant finally re-started during Q2 and the first cargo was shipped at the end of the quarter. The Gorgon facility which was closed down during Q1 after only have shipped one cargo since its commissioning in January 2016, was also re-started during Q2 and shipped its second cargo in early July. In total about 21 MTPA of new LNG production capacity has been added during 1st half of 2016 which will hit the market as ramp-up and initial production issues are solved. According to analyst construction of the next trains at Gladstone, Australia Pacific, Gorgon and Sabine Pass are proceeding according to schedule, with expectations of more than 40 MTPA of new LNG capacity in total to be added during 2016. Analysts forecast the production capacity in 2020 to 450 MTPA, which represents an increase of about 50 % compared to the 2015 production capacity and an increase of about 80 % compared to 2015 actual LNG production.

Newbuilding activity eased off during the 2nd half of 2015 and has remained low since. So far in 2016 four newbuilding orders have been placed compared to 15 vessels in same period last year.

According to shipbrokers the orderbook at end Q2 2016 for LNG vessels above 100,000 cbm (excl. FSRU and FLNG) was 119 vessels, of which only 10 are available for contract. 7 vessels were delivered during Q2 and a further 21 are scheduled for delivery in the remainder of 2016. As a result of the weak market and shipyard constraints some deliveries are expected to be delayed.

## **ORGANISATION**


The principal activity of Awilco LNG ASA and its subsidiaries is to invest in and operate LNG transportation vessels. The Group handles the commercial and technical operation of the vessels from its main office in Oslo, and currently has 8 employees. Awilco LNG purchases certain administrative and sub-management technical services from two companies in the Awilhelmsen Group; Awilhelmsen Management AS and Wilhelmsen Marine Services AS, see note 5 in the interim condensed consolidated financial statements for further details.

## **VESSEL CONTRACT STATUS**

WilForce: employed on a three year charter with a one year option in charterer's favour to an oil and gas major, which commenced in January 2014.

WilPride: is trading in the spot/short term market.

## Contract overview

	2016	2017
WilPride		Available
WilForce	On charter	Available

## KEY RISKS AND UNCERTAINTIES

The Awilco LNG Group is through its global LNG shipping operations exposed to certain market, operational and financial risks. There have been no material changes to these key risks and uncertainties since the release of the 2015 Annual report. For a thorough explanation of the risk factors, please refer to the 2015 Annual report pages 30 to 32 and note 20, page 58 and 59.

## OUTLOOK

The LNG shipping market has been weak for the last two years, both in terms of low utilisation and depressed freight rates. The market for older tonnage has been even more affected by the tough market, resulting in very few fixtures for such vessels and several steam vessels have been placed in cold lay-up.

The start-up of new LNG production facilities over the last 6 months has provided a positive impact to the market. We have seen both a reduction in availability of vessels as well as an encouraging trend in terms of improving spot market rates.

WilPride is currently operating in the spot market. The improving market and the Company's comfortable liquidity position suggest this is not the right time to commit to long term employment. The outlook for the long term LNG transportation market is firm and Awilco LNG is well positioned to benefit from the improving market.

Oslo, 30 August 2016

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

<i>In USD thousands, except per share figures</i>						
		Q2	Q1	Q2	1.1 - 30.6	1.1 - 30.6
		2016	2016	2015	2016	2015
	Note	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Freight income	2	8 346	8 890	7 290	17 236	19 425
Voyage related expenses	5	1 113	680	1 264	1 793	3 091
<b>Net freight income</b>		<b>7 233</b>	<b>8 210</b>	<b>6 026</b>	<b>15 443</b>	<b>16 334</b>
Operating expenses		2 294	2 363	3 376	4 657	6 943
Administration expenses	5	691	962	953	1 652	2 176
<b>Earnings before interest, taxes, depr. and amort. (EBITDA)</b>		<b>4 248</b>	<b>4 885</b>	<b>1 697</b>	<b>9 133</b>	<b>7 215</b>
Depreciation and amortisation		3 407	3 647	4 202	7 054	8 489
Impairment of vessels	4	6 569	-	3 189	6 569	3 189
<b>Earnings before interest and taxes</b>		<b>(5 728)</b>	<b>1 238</b>	<b>(5 694)</b>	<b>(4 490)</b>	<b>(4 463)</b>
Finance income		1	97	32	98	165
Finance expenses		5 789	5 907	6 062	11 696	12 121
<b>Net finance income/(expense)</b>		<b>(5 788)</b>	<b>(5 809)</b>	<b>(6 031)</b>	<b>(11 598)</b>	<b>(11 956)</b>
<b>Profit/(loss) before taxes</b>		<b>(11 516)</b>	<b>(4 571)</b>	<b>(11 725)</b>	<b>(16 087)</b>	<b>(16 419)</b>
Income tax expense		-	-	13	-	(11)
<b>Profit/(loss) for the period</b>		<b>(11 516)</b>	<b>(4 571)</b>	<b>(11 712)</b>	<b>(16 087)</b>	<b>(16 430)</b>
Earnings per share in USD attributable to ordinary equity holders of Awilco LNG ASA:						
Basic, profit/(loss) for the period		(0.17)	(0.07)	(0.17)	(0.24)	(0.24)
Diluted, profit/(loss) for the period		(0.17)	(0.07)	(0.17)	(0.24)	(0.24)

## Interim Consolidated Statement of Comprehensive Income

Profit/(loss) for the period	(11 516)	(4 571)	(11 712)	(16 087)	(16 430)
<b>Other comprehensive income:</b>					
Other comprehensive income items	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>(11 516)</b>	<b>(4 571)</b>	<b>(11 712)</b>	<b>(16 087)</b>	<b>(16 430)</b>

## Interim Condensed Consolidated Statement of Financial Position

<i>In USD thousands</i>		<b>30.6.2016</b>	<b>31.3.2016</b>	<b>31.12.2015</b>	<b>30.6.2015</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		377 584	418 868	422 506	438 610
Other fixed assets		107	115	124	140
<b>Total non-current assets</b>		<b>377 691</b>	<b>418 983</b>	<b>422 630</b>	<b>438 750</b>
<b>Current assets</b>					
Trade receivables		2 998	3 069	2 460	2 467
Inventory		939	1 580	1 911	2 032
Other short term assets		3 640	3 527	1 154	3 764
Cash and cash equivalents		5 669	10 769	17 299	7 579
<b>Total current assets</b>		<b>13 247</b>	<b>18 946</b>	<b>22 823</b>	<b>15 841</b>
Vessels held for sale	4	32 190	-	-	17 772
<b>TOTAL ASSETS</b>		<b>423 128</b>	<b>437 929</b>	<b>445 454</b>	<b>472 363</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	3	48 420	48 420	48 420	48 420
Share premium		126 463	126 463	126 463	126 463
Retained earnings		(35 407)	(23 891)	(19 320)	526
<b>Total equity</b>		<b>139 475</b>	<b>150 991</b>	<b>155 563</b>	<b>175 408</b>
<b>Non-current liabilities</b>					
Pension liabilities		268	250	215	198
Long-term interest bearing debt		266 094	269 503	272 804	279 349
<b>Total non-current liabilities</b>		<b>266 362</b>	<b>269 753</b>	<b>273 019</b>	<b>279 547</b>
<b>Current liabilities</b>					
Short-term interest bearing debt		13 254	12 982	12 752	12 228
Trade payables		505	277	332	582
Income tax payable		-	-	4	62
Provisions and accruals	6	3 531	3 926	3 783	4 535
<b>Total current liabilities</b>		<b>17 291</b>	<b>17 185</b>	<b>16 872</b>	<b>17 408</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>423 128</b>	<b>437 929</b>	<b>445 454</b>	<b>472 363</b>

## Interim Consolidated Statement of Changes in Equity

### For the period ended 30 June 2016

<i>In USD thousands</i>	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2016	48 420	126 463	(19 320)	155 563
Profit/(loss) for the period	-	-	(16 087)	(16 087)
Other comprehensive income for the period	-	-	-	-
<i>Total comprehensive income</i>	-	-	(16 087)	(16 087)
<b>Balance as at 30 June 2016 (unaudited)</b>	<b>48 420</b>	<b>126 463</b>	<b>(35 407)</b>	<b>139 475</b>

### For the period ended 30 June 2015

<i>In USD thousands</i>	Share capital	Share premium	Retained earnings	Total equity
Equity at 1 January 2015	48 420	126 463	16 956	191 838
Profit/(loss) for the period	-	-	(16 430)	(16 430)
Other comprehensive income for the period	-	-	-	-
<i>Total comprehensive income</i>	-	-	(16 430)	(16 430)
<b>Balance as at 30 June 2015 (unaudited)</b>	<b>48 420</b>	<b>126 463</b>	<b>526</b>	<b>175 408</b>

## Interim Condensed Consolidated Cash Flow Statement

<i>In USD thousands</i>	Q2 2016 (unaudited)	Q1 2016 (unaudited)	1.1 - 30.6 2016 (unaudited)	1.1 - 30.6 2015 (unaudited)
<b>Cash Flows from Operating Activities:</b>				
Profit/(loss) before taxes	(11 516)	(4 571)	(16 087)	(16 419)
Income taxes paid	(8)	(4)	(12)	-
Interest and borrowing costs expensed	5 800	5 865	11 665	12 097
<i>Items included in profit/(loss) not affecting cash flows:</i>				
Depreciation and amortisation	3 407	3 647	7 054	8 489
Impairment of vessels	6 569	-	6 569	3 189
(Gain)/Loss on sale of other fixed assets	-	-	-	45
<i>Changes in operating assets and liabilities:</i>				
Trade receivables, inventory and other short term assets	(272)	392	120	1 012
Trade payables, provisions and accruals	(46)	24	(22)	(3 965)
<b>i) Net cash provided by / (used in) operating activities</b>	<b>3 934</b>	<b>5 352</b>	<b>9 287</b>	<b>4 448</b>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from sale of other fixed assets	-	-	-	89
<b>ii) Net cash provided by / (used in) investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89</b>
<b>Cash Flows from Financing Activities:</b>				
Repayment of borrowings	(3 193)	(4 098)	(7 291)	(5 719)
Interest and borrowing costs paid	(5 841)	(7 784)	(13 625)	(12 058)
<b>iii) Net cash provided by / (used in) financing activities</b>	<b>(9 034)</b>	<b>(11 882)</b>	<b>(20 917)</b>	<b>(17 777)</b>
<b>Net change in cash and cash equivalents (i+ii+iii)</b>	<b>(5 101)</b>	<b>(6 530)</b>	<b>(11 630)</b>	<b>(13 240)</b>
Cash and cash equivalents at start of period	10 769	17 299	17 299	20 819
<b>Cash and cash equivalents at end of period</b>	<b>5 669</b>	<b>10 769</b>	<b>5 669</b>	<b>7 579</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 Company) is a public limited liability company incorporated and domiciled in Norway. The Company's registered office is Beddingen 8, 0250 Oslo, Norway.

The interim consolidated financial statements (the Statements) of the Company comprise the 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 a fleet of two modern TFDE LNG carriers.

#### **Basis for preparation**

The Statements for the three months and first half year ended 30 June 2016 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 2015, 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 2015.

### **Note 2 - Segment information**

#### **Operating segments**

The Group currently owns and operates two modern TFDE LNG vessels. For internal reporting and management purposes the Group's business is organised into one reporting segment, LNG transportation. Performance is not evaluated by geographical region. Revenue from the Group's country of domicile was nil in Q2 2016, same as in Q1 2016.

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

The Group had two customers contributing with more than 10 per cent of the Group's freight income in Q2 2016 and one in the first half of 2016.

### **Note 3 - Share capital**

The number of issued shares was 67,788,874 at 30 June 2016. There were no changes in shares issued in Q2 2016. The share capital is denominated in NOK, and the nominal value per share is NOK 4 (in US dollars 0.74). All issued shares are of equal rights.

### **Note 4 - Significant events and commitments**

#### **Sale of vessels WilEnergy and WilGas**

The 1983 and 1984 built LNG carriers WilEnergy and WilGas were agreed sold, and were presented as held for sale in the statement of financial position from 1 June 2016, together with remaining quantities of bunkers and luboils on board. The gross sales price for the two vessels was MUSD 31.6 combined. An impairment charge of MUSD 6.6 was recorded in Q2 2016 based on the assessed fair value less costs to sell of the vessel disposal groups. The vessels were delivered to its new owner on 18 August 2016, and will contribute with a net positive cash effect of MUSD 32.2 in Q3 2016.



## Note 5 - Related party transactions

### Agreements

Related party	Description of service	Note
Wilhelmsen Marine Services AS (WMS)	Technical Sub-management Services	1
Awilhelmsen Management AS (AWM)	Administrative Services	2
Astrup Fearnley Group	Ship Brokering Services	3

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

(2) AWM provides the Group with administrative and general services including accounting and payroll, legal, secretary function and IT. The Group pays AWM MNOK 2.6 in yearly management fee (approx. MUSD 0.3) based on AWM's costs plus a margin of 5 %. The fee is subject to semi-annual evaluation, and is regulated according to the consumer price index in Norway. The agreement can be terminated by both parties with three months notice. AWM is 100 % owned by Awilhelmsen AS, which owns 100 % of Awilco AS.

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

### Purchases from related parties

<i>In USD thousands</i>	Q2	Q1	1.1 - 30.6	1.1 - 30.6
Related party	2016	2016	2016	2015
Wilhelmsen Marine Services AS	154	209	364	340
Awilhelmsen Management AS	79	78	157	272
Astrup Fearnley Group	-	4	4	-

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

## Note 6 - Provisions and accruals

Provisions and accruals as at 30 June 2016 were MUSD 3.5 (MUSD 3.9 as at 31 March 2016), of which deferred revenue was MUSD 2.4, same as at 31 March 2016.

## Note 7 - Events after the balance sheet date

WilEnergy and WilGas were delivered to its new owner, and the sales proceeds were settled, on 18 August 2016.

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