

GOLAR LNG LTD
Form 20-F
April 16, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

Date of event requiring this shell company report

Commission file number 000-50113

Golar LNG Limited

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

2nd Floor, S.E. Pearman Building, 9 Par-la-Ville Road, Hamilton HM 11, Bermuda

(Address of principal executive offices)

Michael
Ashford, (1)
441 295
4705, (1)
441 295
3494
2nd Floor,
S.E.
Pearman
Building, 9
Par-la-Ville
Road,

Hamilton
HM 11,
Bermuda

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, par value, \$1.00 per share	Nasdaq Global Select Market

Securities registered or to be registered pursuant to section 12(g) of the Act.

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

101,118,289 Common Shares, par \$1.00, per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

Yes ☐ No ☒

Note- Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

INDEX TO REPORT ON FORM 20-F

PART I	PAGE
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	<u>1</u>
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	<u>1</u>
ITEM 3. <u>KEY INFORMATION</u>	<u>1</u>
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	<u>27</u>
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	<u>53</u>
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	<u>53</u>
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	<u>78</u>
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	<u>83</u>
ITEM 8. <u>FINANCIAL INFORMATION</u>	<u>84</u>
ITEM 9. <u>THE OFFER AND LISTING</u>	<u>85</u>
ITEM 10. <u>ADDITIONAL INFORMATION</u>	<u>86</u>
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>95</u>
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	<u>96</u>
PART II	
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	<u>96</u>
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	<u>97</u>
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	<u>97</u>
ITEM 16A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	<u>98</u>
ITEM 16B. <u>CODE OF ETHICS</u>	<u>98</u>
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	<u>98</u>

ITEM 16C.		
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	<u>99</u>
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	<u>99</u>
ITEM 16F.	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	<u>99</u>
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	<u>100</u>
ITEM 16H.	<u>MINE SAFETY DISCLOSURE</u>	<u>101</u>
PART III		
ITEM 17.	<u>FINANCIAL STATEMENTS</u>	<u>101</u>
ITEM 18.	<u>FINANCIAL STATEMENTS</u>	<u>101</u>
ITEM 19.	<u>EXHIBITS</u>	<u>102</u>
	<u>SIGNATURES</u>	<u>105</u>

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this report, the words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. As a result, you are cautioned not to rely on any forward-looking statements.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include among other things:

- changes in liquefied natural gas, or LNG, carrier, floating storage and regasification unit, or FSRU, or floating liquefaction natural gas vessel, or FLNG, market trends, including charter rates, vessel values or technological advancements;
- changes in our ability to retrofit vessels as FSRUs or FLNGs and in our ability to obtain financing for such conversions on acceptable terms or at all;
- changes in the timeliness of the completion of the FLNG Hilli Episeyo (the "Hilli") commissioning and subsequent acceptance by the charterer;
- changes in our ability to close the sale of certain of our equity interests in Hilli on a timely basis or at all;
- changes in the supply of or demand for LNG carriers, FSRUs or FLNGs;
- a material decline or prolonged weakness in rates for LNG carriers, FSRUs or FLNGs;
- changes in the performance of the pool in which certain of our vessels operate and the performance of our joint ventures;
- changes in trading patterns that affect the opportunities for the profitable operation of LNG carriers, FSRUs or FLNGs;
- changes in the supply of or demand for LNG or LNG carried by sea;
- changes in commodity prices;
- changes in the supply of or demand for natural gas generally or in particular regions;
- failure of our contract counterparties, including our joint venture co-owners, to comply with their agreements with us;
- changes in our relationships with our counterparties, including our major chartering parties;
- changes in the availability of vessels to purchase and in the time it takes to construct new vessels;
- failures of shipyards to comply with delivery schedules or performance specifications on a timely basis or at all;
- our ability to integrate and realize the benefits of acquisitions;

changes in our ability to sell vessels to Golar Partners, or our joint ventures Golar Power Limited ("Golar Power") and OneLNG S.A. ("OneLNG");

- changes in our relationship with Golar Partners, Golar Power or OneLNG;

changes to rules and regulations applicable to LNG carriers, FSRUs, FLNGs or other parts of the LNG supply chain; our inability to achieve successful utilization of our expanded fleet or inability to expand beyond the carriage of LNG and provisions of FSRUs particularly through our innovative FLNG strategy and our joint ventures;

actions taken by regulatory authorities that may prohibit the access of LNG carriers, FSRUs or FLNGs to various ports;

our inability to achieve successful utilization of our expanded fleet or inability to expand beyond the carriage of LNG and provision of FSRUs, particularly through our innovative FLNG strategy, or FLNG, and our joint ventures;

changes in our ability to obtain additional financing on acceptable terms or at all;

our ability to make additional equity funding payments to Golar Power and OneLNG to meet our obligations under each of the respective shareholders' agreements;

increases in costs, including, among other things, crew wages, insurance, provisions, repairs and maintenance;

changes in general domestic and international political conditions, particularly where we operate;

a decline or continuing weakness in the global financial markets;

challenges by authorities to the tax benefits we previously obtained under certain of our leasing agreements; and

other factors listed from time to time in registration statements, reports or other materials that we have filed with or furnished to the Securities and Exchange Commission, or the Commission.

Please see our Risk Factors in Item 3 of this report for a more complete discussion of these and other risks and uncertainties.

We caution readers of this report not to place undue reliance on these forward-looking statements, which speak only as of their dates. These forward looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward looking statements.

We undertake no obligation to publicly update or revise any forward looking statements, except as required by law. If one or more forward looking statements are updated, no inference should be drawn that additional updates will be made.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Throughout this report, unless the context indicates otherwise, the "Company," "Golar," "Golar LNG," "we," "us," and "our" all refer to Golar LNG Limited or any one or more of its consolidated subsidiaries, including Golar Management Limited, or Golar Management, or to all such entities. References in this Annual Report to "Golar Partners" or the "Partnership" refer, depending on the context, to our affiliate Golar LNG Partners LP (Nasdaq: GMLP) and to any one or more of its subsidiaries. References to "Golar Power" refer to our affiliate Golar Power Limited and to any one or more of its subsidiaries. References to "OneLNG" refer to our joint venture OneLNG S.A. and to any one or more of its subsidiaries. Unless otherwise indicated, all references to "USD" and "\$" in this report are to U.S. dollars.

A. Selected Financial Data

The following selected consolidated financial and other data, which includes our fleet and other operating data, summarizes our historical consolidated financial information. We derived the statement of operations data for each of the years in the three-year period ended December 31, 2017 and the balance sheet data as of December 31, 2017 and 2016 from our audited Consolidated Financial Statements included in Item 18 of this Annual Report on Form 20-F, which were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

The selected statements of operations data with respect to the years ended December 31, 2014 and 2013 and the selected balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from Consolidated Financial Statements prepared in accordance with U.S. GAAP not included herein.

The following table should also be read in conjunction with the section of this Annual Report entitled "Item 5. Operating and Financial Review and Prospects" and our Consolidated Financial Statements and notes thereto included herein.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands of U.S. \$, except number of shares, per common share data, fleet data and other financial data)				
Statement of Operations Data:					
Total operating revenues	143,537	80,257	102,674	106,155	99,828
Vessel operating expenses	55,946	53,163	56,347	49,570	43,750
Voyage, charter-hire and commission expenses (including collaborative arrangement)	61,292	47,563	69,042	27,340	14,259
Total operating expenses	244,094	221,364	234,604	146,488	118,332
Operating (loss) income	(85,457)	(141,091)	(36,380)	(2,116)	63,766
Net financial (expense) income	(32,788)	(59,541)	(174,619)	(87,852)	41,768
Equity in net (losses) earnings of affiliates	(25,448)	47,878	55,985	42,220	3,099
Net (loss) income attributable to the stockholders of Golar LNG Ltd	(179,703)	(186,531)	(171,146)	(48,017)	109,555
(Loss) earnings per common share					
- basic ⁽¹⁾	(1.79)	(1.99)	(1.83)	(0.55)	1.36
- diluted ⁽¹⁾	(1.79)	(1.99)	(1.83)	(0.55)	1.28
Cash dividends declared and paid per common share	0.20	0.60	1.35	1.80	1.35
Balance Sheet Data (as of end of year):					
Cash and cash equivalents	214,862	224,190	105,235	191,410	125,347
Restricted cash and short-term deposits ⁽²⁾	222,265	183,693	231,820	74,162	23,432
Non-current restricted cash ⁽²⁾	175,550	232,335	180,361	425	3,111
Investments in affiliates	703,225	648,780	541,565	746,263	766,024
Newbuildings	—	—	13,561	344,543	767,525
Asset under development	1,177,489	731,993	501,022	345,205	—
Vessels and equipment, net	2,077,059	2,153,831	2,598,771	1,648,888	811,715
Total assets	4,764,287	4,256,911	4,269,198	3,899,742	2,591,666
Current portion of long-term debt and short-term debt	1,384,933	1,451,454	693,123	112,853	29,305
Long-term debt	1,025,914	1,525,744	1,342,084	1,241,133	663,239
Total equity	1,796,304	1,909,826	1,916,179	2,237,422	1,771,727
Common shares outstanding ⁽¹⁾ (in thousands)	101,119	101,081	93,547	93,415	80,580
Cash Flow Data:					
Net cash provided by (used in) operating activities	47,134	(38,551)	(344,649)	24,873	67,722
Net cash used in investing activities	(433,769)	(2,222)	(255,956)	(1,429,270)	(533,067)
Net cash provided by financing activities	377,307	159,728	514,430	1,470,460	165,978
Fleet Data:					
Number of vessels at end of year	14	14	17	13	7
Average number of vessels during year	14	15	14	9	6
Average age of vessels (years)	12.6	11.7	9.7	10.8	18.7
Total calendar days for fleet	5,370	5,864	5,647	2,133	2,012
Total operating days for fleet ⁽³⁾	3,885	4,034	4,481	2,059	1,501
Other Financial Data:					

Edgar Filing: GOLAR LNG LTD - Form 20-F

Average daily time charter equivalent earnings, or TCE ⁽⁴⁾ (to the closest \$100)	\$ 17,500	\$ 10,100	\$ 14,900	\$ 33,100	\$ 38,300
Average daily vessel operating costs ⁽⁵⁾	\$ 11,374	\$ 10,359	\$ 11,783	\$ 23,240	\$ 21,745

2

Footnotes

(1) Basic earnings per share are calculated based on the income available to common shareholders and the weighted average number of our common shares outstanding. Treasury shares are not included in this calculation. The calculation of diluted earnings per share assumes the conversion of potentially dilutive instruments.

(2) Restricted cash consists of bank deposits, which may only be used to settle certain pre-arranged loans or lease payments or deposits made in accordance with our contractual obligations under our equity swap line facilities, letter of credit facilities in connection with our tolling agreement, bid or performance bonds for projects we may enter. Short-term deposits represents highly liquid deposits placed with financial institutions, primarily from our consolidated VIEs, which are readily convertible into known amounts of cash with original maturities of less than 12 months.

(3) The total operating days for our fleet is the total number of days in a given period that our vessels were in our possession less the total number of days off-hire. We define days off-hire as days lost to, among other things, operational deficiencies, drydocking for repairs, maintenance or inspection, scheduled lay-up, vessel conversions, equipment breakdowns, special surveys and vessel upgrades, delays due to accidents, crewing strikes, certain vessel detentions or similar problems, or our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew, or periods of commercial waiting time during which we do not earn charter hire.

(4) Non-U.S. GAAP Financial Measure: Time charter equivalent, or TCE, rate is a measure of the average daily performance of a vessel. TCE is calculated only in relation to our vessel operations segment. For time charters, this is calculated by dividing total operating revenues (excluding vessel and other management fee), less any voyage expenses, by the number of calendar days minus days for scheduled off-hire. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses. However, we may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during drydocking. TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company's performance despite changes in the mix of charter types (i.e. spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods. We include average daily TCE rate, a non-U.S. GAAP measure, as we believe it provides additional meaningful information in conjunction with total operating revenues, the most directly comparable U.S. GAAP measure, because it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rate may not be comparable to that reported by other companies. The following table reconciles our total operating revenues to average daily TCE rate.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands of U.S. \$, except number of shares, per common share data, fleet and other financial data)				
Operating revenues	143,537	80,257	102,674	106,155	99,828
Less: Vessel and other management fee	(26,576)	(14,225)	(12,547)	(10,756)	(9,270)
Net time and voyage charter revenues	116,961	66,032	90,127	95,399	90,558
Voyage expenses*	(48,933)	(25,291)	(23,434)	(27,340)	(14,259)
	68,028	40,741	66,693	68,059	76,299
Calendar days less scheduled off-hire days**	3,885	4,034	4,481	2,059	1,994
Average daily TCE rate (to the closest \$100)	17,500	10,100	14,900	33,100	38,300

* The TCE calculations for 2017, 2016 and 2015 exclude charter-hire expenses which arose from the charter back arrangements with Golar Partners with respect to the Golar Grand and, for 2015, the Golar Eskimo. This amounted to \$12.4 million, \$22.3 million and \$45.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

** This excludes days when vessels are in lay-up, undergoing dry dock or undergoing conversion.

(5) We calculate average daily vessel operating costs by dividing vessel operating costs by the number of calendar days. Calendar days exclude those from vessels chartered in where the vessel operating costs are borne by the legal owner, and those of vessels undergoing conversion.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

The following risks relate principally to our business or to the industry in which we operate. Other risks relate principally to the securities market and ownership of our common shares. Any of these risks, or any additional risks not presently known to us or risks that we currently deem immaterial, could significantly and adversely affect our business, our financial condition, our operating results and the trading price of our common shares.

Risks Related to Our Company

We cannot guarantee that the Hilli contract will progress favorably.

We are party to a Liquefaction Tolling Agreement, or LTA (refer to "Item 4. Information on the Company-A. History and Development of the Company-FLNG segment-Liquefaction Tolling Agreement"), with Perenco Cameroon, or Perenco, and Societe Nationale de Hydrocarbures, or SNH, (together, the "Customer") related to a floating liquefied natural gas export project offshore Kribi, Cameroon that employs the converted Hilli. The Hilli conversion completed in October 2017 and she arrived in Cameroon on November 20, 2017 where she is undergoing commissioning activities. We expect acceptance testing procedures to commence shortly. We tendered her notice of readiness, or NoR, on December 3, 2017 upon completion of pre-commissioning activities, starting the commissioning period. The Hilli started generating commissioning payments at a reduced rate from January 4, 2018. First LNG was produced from the Hilli mid-March 2018. The initial term of the LTA is eight years. However, given the complex nature of the project, the new and highly technical nature of the FLNG vessel conversion process, and that the LTA is contingent on the satisfaction of significant conditions which, if not satisfied or waived by the Customer, may result in termination prior to or after employment commences, we cannot assure you that we will be entitled to continue invoicing the Customer under the terms of the LTA during the remainder of the commissioning period or once fully operational post vessel acceptance.

The pending Hilli Disposal may not close as anticipated or it may close with adjusted terms.

We expect the Hilli Disposal (refer to "Item 4. Information on the Company-A. History and Development of the Company-FLNG segment-The Hilli Disposal") to close on or around April 30, 2018, subject to certain closing conditions. However, in the event Customer acceptance is delayed beyond April 30, 2018, both parties have agreed to extend the closing date for the Hilli Disposal to May 31, 2018. If these conditions are not satisfied or waived, we will not complete the Hilli Disposal. Certain of the conditions that remain to be satisfied include, but are not limited to:

- the Hilli's timely acceptance by the Customer under the LTA;
- the continued accuracy of the representations and warranties contained in the Hilli Sale Agreement;
- the performance by each party of its obligations under the sale agreement;
- the absence of any decree, order, injunction, ruling or judgment that prohibits, or other proceedings that seek to prohibit, the Hilli Disposal or makes the Hilli Disposal unlawful; and
- the execution of certain agreements related to the consummation of the Hilli Disposal.

We cannot provide assurance that the pending Hilli Disposal will close by May 31, 2018, or at all, or that the Hilli Disposal will close without material adjustments.

The operations of Golar Hilli Corporation ("Hilli Corp") in Cameroon under the LTA will be subject to higher political and security risks than operations in other areas of the world.

The operations of Hilli Corp in Cameroon under the LTA will be subject to higher political and security risks than operations in other areas of the world. Recently, Cameroon has experienced instability in its socio-political environment. Any extreme levels of political instability resulting in changes of governments, internal conflict, unrest and violence, especially from terrorist organizations prevalent in the region, such as Boko Haram, could lead to economic disruptions and shutdowns in industrial activities. In addition, corruption and bribery are a serious concern in the region. The FLNG operations of Hilli Corp in Cameroon

will be subject to these risks, which could materially adversely affect our revenues, our ability to perform under the LTA and our financial condition.

In addition, Hilli Corp will maintain insurance coverage for only a portion of the risks incident to doing business in Cameroon. There also may be certain risks covered by insurance where the policy does not reimburse Hilli Corp for all of the costs related to a loss. For example, any claims covered by insurance will be subject to deductibles, which may be significant. In the event that Hilli Corp incurs business interruption losses with respect to one or more incidents, they could have a material adverse effect on our results of operations.

Due to the new and sophisticated technology utilized by the Hilli, the operations of the Hilli are subject to risks that could negatively affect our earnings and financial condition.

The Hilli is the world's first LNG carrier to have been retrofitted for FLNG service. Due to the new and sophisticated technology utilized by the Hilli, the operations of the Hilli are subject to risks that could negatively affect our earnings and financial condition. FLNG vessels are complex and their operations are technically challenging and subject to mechanical risks and problems. Unforeseen operational problems with the Hilli may lead to loss of revenue or higher than anticipated operating expenses or require additional capital expenditures. Any of these results could harm our business, financial condition, results of operations and ability to make cash distributions to our unitholders.

Further, the highly technical work is only capable of being performed by a limited number of contractors. Accordingly, a change of contractors for any reason would likely result in higher costs and a significant delay to our delivery schedules. In addition, given the novelty of our FLNG conversion projects, the completion of retrofitting our vessels as FLNG vessels could be subject to risks of significant cost overruns. If the shipyard is unable to deliver any converted FLNG vessel on time, we might be unable to perform related charters. Any substantial delay in the conversion of any of our vessels into FLNG vessels could mean we will not be able to satisfy potential employment.

Furthermore, if any of our FLNG vessels, once converted, are not able to meet certain performance requirements or perform as intended, we may have to accept reduced charter rates. Alternatively, it may not be possible to charter the converted FLNG vessel at all, which would have a significant negative impact on our cash flows and earnings.

If the letter of credit is not extended, our earnings and financial condition could suffer.

Pursuant to the terms of the LTA for the aforementioned project, the converted Hilli arrived in Cameroon on November 20, 2017 and began commissioning activities. The Hilli will provide liquefaction services for an initial term of eight years. In accordance with the terms of the LTA, we have obtained a letter of credit issued by a financial institution to our Project Partners that guarantees certain payments we are required to make to them under the LTA. The letter of credit was set to expire on December 31, 2017, but it automatically extends for successive one year periods until the tenth anniversary of the acceptance of the Hilli to perform the agreed services for the project, unless the financial institution elects to not extend the letter of credit. The financial institution may elect to not extend the letter of credit by giving notice at least ninety days prior to the current December 31, 2018 expiration date or December 31 in any subsequent year. If the letter of credit (i) ceases to be in effect or (ii) the financial institution elects to not extend it, unless replacement security for payment is provided within a certain time, then the tolling agreement may be terminated and we may be liable for a termination fee of up to \$400 million. Accordingly, if the financial institution elects at some point in the future to not extend the letter of credit, our financial condition could be materially and adversely affected.

We and Schlumberger will have an obligation to make additional payments to OneLNG.

We and Schlumberger have each agreed to make up to an additional \$250 million of capital contributions to OneLNG, pursuant to and in accordance with the terms of the Joint Venture and Shareholders' Agreement, namely a final

investment decision is taken on a OneLNG project. While we believe we will be able to arrange funding for the full amount of our obligations, to the extent we or Schlumberger do not timely make the required capital contributions, such failure to provide the necessary equity funding could have material adverse consequences for OneLNG, and we and Schlumberger will have the right to purchase the other's interest in OneLNG if the other defaults in such funding obligations. Such a purchase could take place voluntarily even if there is no default in funding or other obligations.

The success of our investment in OneLNG is subject to the various risks related to OneLNG's business.

OneLNG's business is subject to a variety of risks, including, among others, any inability of Schlumberger and us to successfully work together in the shared management of OneLNG, any inability of OneLNG to identify and enter in appropriate projects, any inability of OneLNG to obtain sufficient financing for any project it identifies, any failure of upstream LNG producing

projects connected with OneLNG's activities, and other industry, regulatory, economic and political risks similar in nature to the risks faced by us.

Additionally, OneLNG's participation in the joint operating company, or JOC, and the development of the Fortuna Project (see "Item 4. Information on the Company-B. Business Overview-Floating LNG Regasification-Floating Liquefaction Vessels-OneLNG - Golar/Schlumberger FLNG Joint Venture" for further detail) is subject to a variety of risks, including, among others, the failure to satisfy all the conditions precedent to effectiveness of the JOC Shareholders' Agreement, including agreement of final project terms and documentation, execution of documentation for project debt financing with respect to the conversion of the Gandria, approval by the government of Equatorial Guinea and final investment decision of OneLNG or Ophir, and other risks such as an inability of Ophir and OneLNG to successfully work together in the shared management of the JOC, risks related to the conversion of the Gandria similar in nature to the risks related to the Hilli conversion, and the failure of the Block R License to yield the projected amount of LNG.

The expected total capital expenditure for the Fortuna Project is approximately \$2.0 billion to reach first gas, of which a significant portion is expected to be debt financed. While we believe that we, together with OneLNG, will be able to arrange financing as required for the conversion of the Gandria, to the extent that we do not obtain the necessary financing in a timely manner and OneLNG or Ophir fail to make any payments required in connection with the Fortuna Project, the Fortuna Project could be delayed which may negatively affect OneLNG and our business operations and financial results.

The implementation of the Fortuna Project and other similar projects in the future is outside the area of our core expertise and we are required to rely on the experience of our joint venture partners.

The development of the Fortuna Project or other similar projects will expose us to risks associated with the development of gas fields. We have not had substantial experience in the area of gas field development and have therefore partnered with more experienced joint venture partners in connection with these projects. While we plan to rely on our joint venture partners to carry out this work, the development of gas fields is outside our core expertise and we are exposed to risks in connection with gas field developments. Such risks include the geological nature of gas fields, including unexpected drilling conditions and irregularities in geological formations, equipment failures, fires, blow-outs or accidents, shortages or delays in the availability of appropriate equipment, and competition from oil and gas companies for the acquisition and development of assets and licenses.

If there is a delay or default by a shipyard or if a shipyard does not meet certain performance requirements, our earnings and financial condition could suffer.

We have entered into an agreement with Keppel Shipyard Limited, or Keppel, and Black & Veatch Corporation, or Black & Veatch, for the conversion of one of our oldest LNG carriers, the Gimi, into a FLNG (in addition to the Hilli, which has completed her conversion). We have also agreed contract terms for the conversion of the Gandria into a FLNG. In the event the shipyards do not perform under the contracts and we are unable to enforce certain refund guarantees with third party banks for any reason, we may lose all or part of our investments, which would have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, the conversions and newbuilding are subject to the risk of delay or default by the shipyards caused by, among other things, unforeseen quality or engineering problems, work stoppages or other labor disturbances at the shipyards, bankruptcy of or other financial crisis involving the shipyards, weather interference, unanticipated cost increases, delays in receipt of necessary equipment, political, social or economic disturbances, inability to finance the construction of the vessel and inability to obtain the requisite permits or approvals. In accordance with industry practice, in the event the shipyards are unable or unwilling to deliver the vessel, we may not have substantial

remedies. Failure to convert, construct or deliver the vessels by the shipyards or any significant delays could increase our expenses and diminish our net income and cash flows.

We have a substantial equity investment in Golar Power that is subject to the risks related to Golar Power's business.

We have a substantial equity investment in Golar Power. In addition to the value of our investment, we expect to receive cash distributions from Golar Power and management fee income from the provision of services to Golar Power under a management and administrative services agreement for the vessels in Golar Power's fleet. The value of our investment, the income generated from our investment and the management fee income are subject to a variety of risks, including the risks related to Golar Power's business. In turn, Golar Power's business is subject to a variety of risks, including, among others, any inability of Stonepeak and us to successfully work together in the shared management of Golar Power, any inability of Golar Power to identify and enter into appropriate projects, any inability of Golar Power to obtain sufficient financing for any project it identifies, any failure of upstream and downstream LNG producing projects connected with Golar Power's activities, and other industry, regulatory, economic and political risks similar in nature to the risks faced by us.

Although Golar Power has approved making a final investment decision in connection with the Sergipe Project, we cannot assure you that the Sergipe Project will proceed as planned. The capital expenditure for the power station and terminal components of the Sergipe Project, including taxes and financing costs, is estimated at 4.3 billion Brazilian Reals, which is equal to approximately \$1.3 billion at current exchange rates. Of this amount, the majority will be funded by Centrais Electricas de Sergipe S.A., or CELSE, with debt financing. While we believe that CELSE will be able to arrange the financing as necessary for the power station and terminal, to the extent that CELSE does not obtain the necessary financing in a timely manner, the completion of the project could be delayed. This may negatively affect Golar Power and our business operations and financial results.

In addition, the Sergipe Project is subject to a variety of risks including General Electric's completion of the Sergipe Project in accordance with the terms of the related EPC contract. Additionally, constructing and operating a power plant is subject to certain risks that include unscheduled plant outages, equipment failure, labor disputes, disruptions in fuel supply, inability to comply with regulatory or permit requirements, natural disasters or terrorist acts, cyber attacks or other similar occurrences, and inherent risks which may occur as a result of inadequate internal processes, technological flaws, human error or actions of third parties or other external events. The control and management of these risks depend upon adequate development and training of personnel and on the existence of operational procedures, preventative maintenance plans and specific programs supported by quality control systems which reduce, but do not eliminate, the possibility of the occurrence and impact of these risks. The hazards described above, along with other safety hazards associated with our operations, can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of, or damage to, the environment and suspension of operations. The occurrence of any one of these events may result in Golar Power, through its ownership interest in CELSE, being named as a defendant in lawsuits asserting claims for substantial damages, environmental cleanup costs, personal injury and fines and/or penalties.

Also, exchange rate fluctuations between the U.S. Dollar and the Brazilian Real could have an adverse impact on the results of operations of Golar Power with respect to its investments in Brazil, including its investments in the Sergipe Project through CELSE. The principal currency for revenue and operating expenses is the U.S. Dollar; however, a significant portion of expenses for CELSE will be paid in Brazilian Real. This exposure to foreign currency could lead to fluctuations in Golar Power's net income and net revenue due to changes in the value of the U.S. Dollar relative to the Brazilian Real.

We are obligated to make additional payments to Golar Power in connection with the related Shareholders Agreement.

As a closing condition to the Golar Power joint venture transaction, we and Stonepeak entered into an Investment and Shareholders Agreement with respect to Golar Power that governs, among other things, its management and funding. Under the agreement, we and Stonepeak have agreed to contribute additional equity funding to Golar Power, on a pro rata basis, including (i) up to an aggregate of \$150 million due through to mid-2018 and (ii) additional amounts as may be required by Golar Power subject to the approval of its board of directors.

While we believe we will be able to arrange funding for the full amount of our pro rata obligations, to the extent we or Stonepeak do not timely make the required payments, such failure could have material adverse consequences for Golar Power, and failure by us to fulfill our payment obligations could adversely impact our interests in Golar Power.

We may guarantee the indebtedness of our joint ventures.

We may provide guarantees to certain banks with respect to commercial bank indebtedness of our joint ventures. This includes the debt under our \$1.125 billion loan facility borrowed by Golar Power's subsidiaries that own the Golar Celsius and Golar Penguin, which are our former subsidiaries that we contributed to Golar Power. Following our

contribution of those subsidiaries, they continue to owe the debt associated with the Golar Celsius and Golar Penguin to the lenders under our \$1.125 billion loan facility, which we guarantee. Failure by any of our joint ventures, including Golar Power, to service its debt requirements and comply with any provisions contained in its commercial loan agreements, including paying scheduled installments and complying with certain covenants, may lead to an event of default under the related loan agreement, including our \$1.125 billion loan facility. As a result, if our joint ventures are unable to obtain a waiver or do not have enough cash on hand to repay the outstanding borrowings, the relevant lenders may foreclose their liens on the vessels securing the loans or seek repayment of the loan from us, or both. Further, by virtue of our guarantees with respect to our joint ventures, this may reduce our ability to gain future credit from certain lenders.

We may not be able to obtain financing, to meet our obligations as they fall due, to fund our growth or our future capital expenditures, which could negatively impact our results of operations, financial condition and ability to pay dividends.

In order to fund future FLNG vessel and FSRU retrofitting projects, liquefaction projects, newbuilding programs, vessel acquisitions, increased working capital levels or other capital expenditures, we may be required to use cash from operations, incur additional borrowings, raise capital through the sale of debt or additional equity securities or complete sales of our interests in our vessel owning subsidiaries operating under long-term charters to Golar Partners. Our ability to do so may be limited by our financial condition at the time of such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. In addition, our use of cash from operations may reduce the amount of cash available for dividend distributions. Our failure to obtain funds for future capital expenditures could impact our results of operations, financial condition and our ability to pay dividends. Furthermore, our ability to access capital, overall economic conditions and our ability to secure charters could limit our ability to fund our growth and capital expenditures. The issuance of additional equity securities would dilute your equity interest in us and reduce any pro rata dividend payments without a commensurate increase in cash allocated to dividends, if any. Even if we are successful in obtaining bank financing, paying debt service would limit cash available for working capital and increasing our indebtedness could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

A pre-condition of the lease financings for both the Golar Tundra and the Golar Seal is for these vessels to be employed under effective charters by June 30, 2018 and December 31, 2018, respectively, or we could be required to refinance the vessels. We are currently exploring our refinancing options, including extension of the lenders' deadlines for satisfaction of such. While we believe we will be able to refinance these vessels or extend the lenders' deadlines, failure to do so could have an adverse effect on our results of operations, cash flows, financial condition and ability to pay dividends.

Servicing our debt agreements substantially limits our funds available for other purposes and our operational flexibility.

A large portion of our cash flow from operations is used to repay the principal and interest on our debt agreements. As of December 31, 2017, our net indebtedness (including loan debt, net of restricted cash and short-term deposits and net of cash and cash equivalents) was \$1.8 billion and our ratio of net indebtedness to total capital (comprising net indebtedness plus shareholders' equity) was 0.50.

Our consolidated debt could increase substantially. We will continue to have the ability to incur additional debt. Our level of debt could have important consequences to us, including:

- Our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may not be available on favorable terms;

• We will need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to stockholders;

• We may be more vulnerable than our competitors with less debt to competitive pressures or a downturn in our industry or the economy generally; and

• Our flexibility in obtaining additional financing, pursuing other business opportunities and responding to changing business and economic conditions may be limited.

Our ability to service our indebtedness will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control, as well as the interest rates applicable to our outstanding indebtedness. If our operating income is not sufficient to service our indebtedness, we will be forced to take actions, such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to effect any of these remedies on satisfactory terms, or at all. In addition, a lack of liquidity in the debt and equity markets could hinder our ability to refinance our debt or obtain additional financing on favorable terms in the future.

A decline in the market value of Golar Partners' common unit price could result in breaches of our Margin Loan Facility.

We entered into a loan agreement, dated March 3, 2017, among one of our wholly-owned subsidiaries, as borrower, Golar LNG Limited, as guarantor, Citibank N.A., as administrative agent, initial collateral agent and calculation agent, and Citibank N.A., as lender. We refer to this as the Margin Loan Facility. If the outstanding balance of the Margin Loan Facility were to exceed the specified loan-to-value ratio threshold (for example, as a result of a decline in the aggregate market value of the pledged securities), we would be required to pledge additional cash or cash equivalents as collateral under the Margin Loan Facility or repay a portion of the Margin Loan Facility. If we were unable to pledge such additional collateral or repay a portion of the Margin Loan Facility Citibank N.A. could accelerate our debt and foreclose on our Golar Partners common units pledged as collateral under the term loan credit facility. Our term loan credit facility could thus increase our vulnerability to adverse economic and industry conditions.

Our financing agreements are secured by our vessels and contain operating and financial restrictions and other covenants that may restrict our business, financing activities and ability to make cash distributions to our shareholders. In addition, because of the presence of cross-default provisions in certain of our and Golar Partners' financing agreements that cover both us and Golar Partners, a default by us or Golar Partners could lead to multiple defaults in our agreements.

Our obligations under our financing arrangements are secured by certain of our vessels and guaranteed by our subsidiaries holding the interests in our vessels. Our loan agreements impose, and future financial obligations may impose, operating and financial restrictions on us. These restrictions may require the consent of our lenders, or may prevent or otherwise limit our ability to, among other things:

- merge into, or consolidate with, any other entity or sell, or otherwise dispose of, all or substantially all of our assets;
- make or pay equity distributions;
- incur additional indebtedness;
- incur or make any capital expenditures;
- materially amend, or terminate, any of our current charter contracts or management agreements; or
- charter our vessels.

Our loan agreements and lease financing arrangements also require us to maintain specific financial levels and ratios, including minimum amounts of available cash, minimum ratios of current assets to current liabilities (excluding current portion of long-term debt), minimum levels of stockholders' equity and maximum loan amounts to value. If we were to fail to maintain these levels and ratios without obtaining a waiver of covenant compliance or modification to our covenants, we would be in default of our loans and lease financing agreements, which, unless waived by our lenders, could provide our lenders with the right to require us to increase the minimum value held by us under our equity and liquidity covenants, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet or reclassify our indebtedness as current liabilities and could allow our lenders to accelerate our indebtedness and foreclose their liens on our vessels, which could result in the loss of our vessels. If our indebtedness is accelerated, we may not be able to refinance our debt or obtain additional financing, which would impair our ability to continue to conduct our business.

Moreover, in connection with any waivers and/or amendments to our loan and lease agreements, our lenders may impose additional operating and financial restrictions on us and/or modify the terms of our existing loan and lease agreements.

Because of the presence of cross-default provisions in certain of our and Golar Partners' loan and lease agreements that cover both us and Golar Partners, a default by us or Golar Partners under a loan or lease agreement and the refusal of

any one lender or lessor to grant or extend a waiver could result in the acceleration of our indebtedness under our other loan and lease agreements even if our or Golar Partners' other lenders or lessors have waived covenant defaults under the respective agreements. A cross-default provision means that if we or Golar Partners default on one loan or lease, we would then default on our other loans containing a cross-default provision.

Exposure to equity price risk in our shares could adversely affect our financial results.

As a result of holding an equity swap, which we refer to as our Total Return Swap, in our own securities, as of April 6, 2018, we are exposed to the movement in our share price in respect of 3.0 million shares under the equity swap. Should the price of our shares fall materially below the level at which the shares were acquired, the equity swap mark-to-market valuations could adversely affect our results. In addition, the equity swap has a credit arrangement, whereby we are required to provide cash collateral equal to 20% of the initial acquisition price and to subsequently post additional cash collateral that corresponds to any further unrealized loss. As of December 31, 2017, cash collateral of \$58.4 million has been provided. In the event the share price declines, the cash collateral requirements could adversely affect our liquidity and financial position.

We are exposed to volatility in the London Interbank Offered Rate, or LIBOR, and the derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and charges against our income.

As of December 31, 2017, we had total outstanding debt of \$2.4 billion, of which approximately \$0.9 billion was exposed to a floating interest rate based on LIBOR, which has been volatile recently and could affect the amount of interest payable on our debt. In order to manage our exposure to interest rate fluctuations, we use interest rate swaps to effectively fix a part of our floating rate debt obligations. As of December 31, 2017, we have interest rate swaps with a notional amount of \$1.3 billion representing 138.7% of our total floating rate debt. While we are economically hedged, we do not apply hedge accounting and therefore interest rate swaps mark-to-market valuations may adversely affect our results. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant expenses. The derivatives strategies that we employ currently and in the future may not be successful or effective, and we could, as a result, incur substantial additional interest costs or losses.

In the future, our financial condition could be materially adversely affected to the extent we do not hedge our exposure to interest rate fluctuations under loans that have been advanced at a floating rate. Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations.

We will have to make additional contributions to our pension scheme because it is underfunded.

We provide a pension plan for certain of our current and former marine employees. As of December 31, 2017, there were 11 active members and 220 pensioners. Members do not contribute to the plan and it is closed to any new members. As of December 31, 2017, the plan is underfunded by \$38.9 million at the current contribution level, and we will need to increase our contributions significantly in order to avoid the plan's assets being extinguished. Such contributions could have a material and adverse effect on our cash flows and financial condition.

We have a substantial equity investment in our former subsidiary, Golar Partners, that from December 13, 2012, is no longer consolidated with our financial results, and our investment is subject to the risks related to Golar Partners' business.

As of December 31, 2017, we had an ownership interest of 31.8% (including our 2% general partner interest) in Golar Partners, in addition to 100% of the incentive distribution rights, or IDRs, which we account for under the equity method of accounting. The aggregate carrying value of our investments in Golar Partners as of December 31, 2017 was \$467.1 million, which represents our total interests in the common and general partner units and the IDRs. The common units of Golar Partners are listed on the NASDAQ Global Market, which as of December 31, 2017, had a quoted unit price of \$22.80. The estimated fair value of our investments in Golar Partners is calculated with reference to the quoted price of the common units, with adjustments made to reflect the different rights associated with each

class of investment. If the price of the common units declines, such that the fair value of our investments in Golar Partners falls below carrying value, and it is determined to be due to other than temporary reasons, we would be required to recognize future impairment charges that may have a material adverse effect on our results of operations in the period that the impairment charges are recognized.

In addition to the value of our investment, we receive cash distributions from Golar Partners, which amounted to \$52.3 million for the year ended December 31, 2017. Furthermore, we receive management fee income from the provision of services to Golar Partners under each of the management and administrative services agreement and the fleet management agreements, which amounted to \$13.7 million for the year ended December 31, 2017.

The value of our investment, the income generated from our investment and the management fee income is subject to a variety of risks, including the risks related to Golar Partners' business as disclosed in its respective public filings with the SEC. The occurrence of any such risks may negatively affect our financial condition. As of April 6, 2018, Golar Partners had a fleet of 10 vessels which we manage under the management agreements referred to above, seven of which currently operate under medium

to long-term charters with a concentrated number of charterers that include Petrobras, Dubai Supply Authority, PT Nusantara Regas, The Government of Hashemite Kingdom of Jordan and Kuwait National Petroleum Company. Accordingly, a significant risk to Golar Partners is the loss of any of these customers, charters or vessels, including rechartering its three vessels recently coming off charter, or under certain operational circumstances, a decline in payments under any of the charters, which could have a material adverse effect on its business and its ability to make cash distributions to its unitholders if the vessel was not re-chartered to another customer for an extended period of time.

We operate the majority of our vessels, through the Cool Pool, in the spot/short-term charter market, which is subject to volatility. Failure by the Cool Pool to find profitable employment for these vessels could adversely affect our operations.

As of April 6, 2018, we had eight LNG carriers and one FSRU operating in the spot market within the Cool Pool. Please see "Item 4. Information on the Company-B. Business Overview-Cool Pool" for further detail. The spot market refers to charters for periods of up to twelve months. Spot/short-term charters expose the Cool Pool to the volatility in spot charter rates, which can be significant. In contrast, medium to long-term time charters generally provide reliable revenues, but they also limit the portion of our fleet available to the spot/short-term market during an upswing in the LNG industry cycle, when spot/short-term market voyages might be more profitable. The charter rates payable in the spot market are uncertain and volatile and will depend upon, among other things, economic conditions in the LNG market.

If the Cool Pool is unable to find profitable employment or re-deploy ours or any of the other Cool Pool participants' vessels, we will not receive any revenues from the Cool Pool, but we may be required to pay expenses necessary to maintain that vessel in proper operating condition. A sustained decline in charter or spot rates or a failure by the Cool Pool to successfully charter its participating vessels could have a material adverse effect on our results of operations and our ability to meet our financing obligations.

Our growth depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition.

One of our principal objectives is to enter into additional medium or long-term, fixed-rate time charters for our LNG carriers and FSRUs. The process of obtaining new long-term time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. LNG carrier or FSRU time charters are awarded based upon a variety of factors relating to the vessel operator, including but not limited to:

- LNG shipping and FSRU experience and quality of ship operations;
- shipping industry relationships and reputation for customer service and safety;
- technical ability and reputation for operation of highly specialized vessels, including FSRUs;
- quality and experience of seafaring crew;
- the ability to finance FSRUs and LNG carriers at competitive rates, and financial stability generally;
- construction management experience, including, (i) relationships with shipyards and the ability to get suitable berths and (ii) the ability to obtain on-time delivery of new FSRUs and LNG carriers according to customer specifications;
- willingness to accept operational risks pursuant to a charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We expect substantial competition for providing floating storage and regasification services and marine transportation services for potential LNG projects from a number of experienced companies, including state-sponsored entities and major energy companies. Many of these competitors have significantly greater financial resources and larger and more versatile fleets than we and the Cool Pool do. We anticipate that an increasing number of marine transportation companies, including many with strong reputations and extensive resources and experience, will enter the FSRU market and LNG transportation market. This increased competition may cause greater price competition for time charters. As a result of these factors, we and the Cool Pool may be unable to expand our relationships with existing customers or obtain new customers on a profitable basis, if at all, which could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions.

We may be unable to attract and retain key management personnel in the LNG industry, which may negatively impact the effectiveness of our management and our results of operation.

Significant demands are placed on our management as a result of our growth. As we expand our operations, we must manage and monitor our operations, control costs and maintain quality and control. In addition, the provision of management services to our affiliates, Golar Partners, Golar Power and OneLNG, including the supervision of vessel conversions to FSRUs or FLNGS, has increased the complexity of our business and placed additional demands on our management. Our success depends, to a significant extent, upon the abilities and the efforts of our senior executives. While we believe that we have an experienced management team, the loss or unavailability of one or more of our senior executives for any extended period of time could have an adverse effect on our business and results of operations.

Failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act and other anti-bribery legislation in other jurisdictions could result in fines, criminal penalties, contract terminations and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA, and the Bribery Act 2010 of the United Kingdom, or the UK Bribery Act. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA and the UK Bribery Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

In order to effectively compete in some foreign jurisdictions, we utilize local agents and/or establish entities with local operators or strategic partners. All of these activities may involve interaction by our agents with government officials. Even though some of our agents or partners may not themselves be subject to the FCPA, the UK Bribery Act, or other anti-bribery laws to which we may be subject, if our agents or partners make improper payments to government officials or other persons in connection with engagements or partnerships with us, we could be investigated and potentially found liable for violation of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on our business and results of operations.

An increase in costs could materially and adversely affect our financial performance.

Our vessel operating expenses and drydock capital expenditures depend on a variety of factors, including crew costs, provisions, deck and engine stores and spares, lubricating oil, insurance, maintenance and repairs and shipyard costs, many of which are beyond our control and affect the entire shipping industry. Also, while we do not bear the cost of fuel (bunkers) under our time charters, fuel is a significant, if not the largest, expense in our operations when our vessels are operating under voyage charters, are idle during periods of commercial waiting time or when positioning or repositioning before or after a time charter. If costs rise, they could materially and adversely affect our results of operations.

A shortage of qualified officers and crew could have an adverse effect on our business and financial condition.

FLNGs require a technically skilled officer staff with specialized training. If we are unable to employ technically skilled staff and crew, we will not be able to adequately staff our vessels particularly as we take delivery of our converted FLNG vessels. A material decrease in the supply of technically skilled officers or an inability to attract and retain such qualified officers could impair our ability to operate, or increase the cost of crewing our vessels, which would materially adversely affect our business, financial condition and results of operations.

As our fleet grows in size, we may need to improve our operations and financial systems and recruit additional staff and crew; if we cannot improve these systems or recruit suitable employees, our business and results of operations may be adversely affected.

As our fleet and the fleets of our affiliates grow, we may have to invest in upgrading our operating and financial systems. In addition, we may have to recruit well qualified seafarers and shoreside administrative and management personnel. We may not be able to hire suitable employees to the extent we continue to expand our fleet. Our vessels require technically skilled staff with specialized training. If we are unable to find and employ such technically skilled staff, we may not be able to adequately staff our

vessels or the vessels of our affiliates. If we are unable to operate our financial and operations systems effectively or we are unable to recruit suitable employees, our results of operation and may be adversely affected.

We are subject to certain risks with respect to our contractual counterparties, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We have entered into, and may enter in the future, contracts, charter contracts, newbuilding contracts, vessel conversion contracts, credit facilities with banks, sale and leaseback contracts, interest rate swaps, foreign currency swaps and equity swaps. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions and the overall financial condition of the counterparty. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Due to the lack of diversification in our lines of business, adverse developments in the LNG industry would negatively impact our results of operations, financial condition and ability to pay dividends.

Currently, we rely primarily on the revenues generated from our or our affiliates' LNG carriers and FSRUs, proceeds from sales of interests in our vessels on long-term time charters to Golar Partners and cash distributions from Golar Partners. Due to the lack of diversification in our lines of business, an adverse development in our LNG carrier and FSRU business, in the LNG industry or in the offshore energy infrastructure industry generally would have a significant impact on our business, financial condition, results of operations and ability to pay dividends to our shareholders.

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties and other litigation that arises in the ordinary course of our business. Although we always intend to defend such matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent, which may have a material adverse effect on our financial condition. Please read "Item 8 Financial Information-Legal Proceedings and Claims."

We previously entered into six UK tax leases, of which one lease remains, being that of the Methane Princess lease. In the event of any adverse tax changes or a successful challenge by the UK Revenue authorities, or HMRC, with regard to the initial tax basis of these transactions or in relation to our 2010 lease restructurings, or in the event of an early termination of the Methane Princess lease, we may be required to make additional payments principally to the UK vessel lessor or Golar Partners, which could adversely affect our earnings and financial position.

We previously entered into six UK tax leases, of which one lease remains, being that of the Methane Princess lease, albeit following the deconsolidation of Golar Partners in 2012 the capital lease obligation is no longer included within our consolidated balance sheet. However, by virtue of certain indemnity provisions under certain agreements with Golar Partners, we have agreed to indemnify Golar Partners in the event of any tax liabilities in excess of scheduled or final scheduled amounts arising from the Methane Princess lease and termination thereof. HMRC has been challenging the use of similar lease structures and has been engaged in litigation of a test case for some years. In August 2015, following an appeal to the Court of Appeal by the HMRC which set aside previous judgments in favor

of an unrelated tax payer, the First Tier Tribunal (UK court) ruled in favor of HMRC. In the event of any adverse tax changes or a successful challenge by HMRC with regard to the initial tax basis of the six UK tax leases, or in relation to our 2010 lease restructurings, or in the event of an early termination of the remaining Methane Princess lease, we may be required to make additional payments principally to the UK vessel lessor or Golar Partners, which could adversely affect our earnings and financial position. We could be required to return all, or a portion of, or in certain circumstances significantly more than, the upfront cash benefits that we received in respect of our lease financings, including the 2010 or subsequent termination restructurings. The gross cash benefit we received upfront on these leases amounted to approximately £41 million British Pounds (before deduction of fees). We are currently in conversation with HMRC on this matter, presenting the factual background of our position. Please refer to note 31 "Other Commitments and Contingencies" - UK tax lease benefits, of our Consolidated Financial Statements included herein.

Our consolidated lessor variable interest entities may enter into different financing arrangements, which could affect our financial results.

By virtue of the sale and leaseback transactions we have entered into with certain entities of Chinese financial institutions that are determined to be variable interest entities, or the lessor VIEs, where we are deemed to be the primary beneficiary, we are required to consolidate these lessor VIEs into our results. Although consolidated into our results, we have no control over the funding arrangements negotiated by these lessor VIEs such as interest rates, maturity and repayment profiles. In consolidating these lessor VIEs, we must make assumptions regarding the debt amortization profile and the interest rate to be applied against the lessor VIEs' debt principle. Our estimates are therefore dependent upon the timeliness of receipt and accuracy of financial information provided by these lessor VIE entities. For additional detail refer to note 5 "Variable Interest Entities" of our Consolidated Financial Statements included herein. As of December 31, 2017, we consolidated lessor VIEs in connection with the lease financing transactions for seven of our vessels. For descriptions of our current financing arrangements including those of our lessor VIEs, please read "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Borrowing Activities." The funding arrangements negotiated by these lessor VIEs could adversely affect our financial results.

We are exposed to U.S. dollar and foreign currency fluctuations and devaluations that could harm our reported revenue and results of operations.

Our principal currency for our operations and financing is the U.S. dollar. We generate the majority of our revenues in the U.S. dollar. Apart from the U.S. dollar, we incur a portion of capital, operating and administrative expenses in multiple currencies.

Due to a portion of our expenses being incurred in currencies other than the U.S. dollar, our expenses may, from time to time, increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. dollar and the Euro, the British Pound, and the Norwegian Kroner, which could affect the amount of net income that we report in future periods. We use financial derivatives to hedge some of our currency exposure. Our use of financial derivatives involves certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

Tax risks

We may have to pay tax on United States source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986 as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations recently promulgated thereunder.

We expect that we and each of our subsidiaries will qualify for this statutory tax exemption and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source income. Therefore, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 of the Code for any taxable year, we or our subsidiaries could be subject for those years to an effective 4% U.S. federal income tax on the gross shipping income we or our subsidiaries derive during the year that are attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders. Please see "Item 10. Additional Information-E. Taxation" for further information.

United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to U.S. shareholders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income during the taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets during such taxable year produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance

of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and expected future method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, we note that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. tax consequences and certain information reporting requirements. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares. Please see the section of this annual report entitled "Taxation" under "Item 10. Additional Information-E. Taxation" for a more comprehensive discussion of the U.S. federal income tax consequences if we were to be treated as a PFIC.

A change in tax laws in any country in which we operate could adversely affect us

Tax laws and regulations are highly complex and subject to interpretation. Consequently, we and our subsidiaries are subject to changing laws, treaties and regulations in and between countries in which we operate. Our tax expense is based on our interpretation of the tax laws in effect at the time the expense was incurred. A change in tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our earnings. Such changes may include measures enacted in response to the ongoing initiatives in relation to fiscal legislation at an international level such as the Action Plan on Base Erosion and Profit Shifting of the Organization for Economic Co-Operation and Development.

We may become subject to taxation in Bermuda which would negatively affect our results.

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or by our shareholders in respect of our shares. We have obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to us or to any of our operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda. We cannot assure you that a future Minister would honor that assurance,

which is not legally binding, or that after such date we would not be subject to any such tax. If we were to become subject to taxation in Bermuda, our results of operations could be adversely affected.

Risks Related to Our Industry

The operation of LNG carriers, FLNGs and FSRUs is inherently risky, and an incident resulting in significant loss or environmental consequences involving any of our vessels could harm our reputation and business.

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- piracy;
- environmental accidents;

- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- death or injury to persons, loss of property or environmental damage;
- delays in the delivery of cargo;
- loss of revenues from or termination of charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these circumstances or events could increase our costs or lower our revenues.

If our vessels suffer damage, they may need to be repaired. The costs of vessel repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance policies do not cover. The loss of earnings while these vessels are being repaired, as well as the actual cost of these repairs, would decrease our results of operations. If one of our vessels were involved in an accident with the potential risk of environmental contamination, the resulting media coverage could have a material adverse effect on our business, our results of operations and cash flows, weaken our financial condition and negatively affect our ability to pay dividends. Further, any such environmental accident or the total loss of any of our vessels could harm our reputation as a safe and reliable LNG Carrier, FLNG and FSRU owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss which could negatively impact our business, financial condition, results of operations, cash flows and ability to pay dividends.

Our results of operations and financial condition depend on demand for LNG, LNG carriers, FSRUs and FLNGs.

Our business strategy focuses on expansion in the LNG shipping sector, the floating storage and regasification sector and the floating liquefaction sector. While global LNG demand has continued to rise, the rate of its growth has fluctuated for several reasons, including the global economic downturn and continued economic uncertainty, fluctuations in the price of natural gas and other sources of energy, the continued increase in natural gas production from unconventional sources, including hydraulic fracturing, in regions such as North America and the highly complex and capital intensive nature of new and expanded LNG projects, including liquefaction projects.

Accordingly, our results of operations and financial condition depend on continued world and regional demand for LNG, LNG carriers, FSRUs and FLNGs, which could be negatively affected by a number of factors, including but not limited to:

- price and availability of natural gas, crude oil and petroleum products;
- increases in the cost of natural gas derived from LNG relative to the cost of natural gas;
- decreases in the cost of, or increases in the demand for, conventional land-based regasification and liquefaction systems, which could occur if providers or users of regasification or liquefaction services seek greater economies of scale than FSRUs or FLNGs can provide, or if the economic, regulatory or political challenges associated with land-based activities improve;
- further development of, or decreases in the cost of, alternative technologies for vessel-based LNG regasification or liquefaction;
-

increases in the production of natural gas in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-natural gas pipelines to natural gas pipelines in those markets;

• negative global or regional economic or political conditions, particularly in LNG-consuming regions, which could reduce energy consumption or its growth;

• decreases in the consumption of natural gas due to increases in its price relative to other energy sources or other factors making consumption of natural gas less attractive;

• any significant explosion, spill or other incident involving an LNG facility or carrier, conventional land-based regasification or liquefaction system, or FSRU or FLNG;

• a significant increase in the number of LNG carriers, FSRUs or FLNGs available, whether by a reduction in the scrapping of existing vessels or the increase in construction of vessels;

• infrastructure constraints such as delays in the construction of export or liquefaction facilities, the inability of project owners or operators to obtain governmental approvals to construct or operate LNG facilities, as well as

community or political action group resistance to new LNG infrastructure due to concerns about the environment, safety and terrorism; and
• availability of new, alternative energy sources, including compressed natural gas.

Reduced demand for LNG or LNG liquefaction, storage, shipping or regasification, or any reduction or limitation in LNG production capacity, could have a material adverse effect on prevailing charter rates or the market value of our vessels, which could materially adversely affect our results of operations and financial condition.

Oil prices ranged between approximately \$42 and \$60 in 2017. Natural gas prices ranged from approximately \$2.60 to \$3.75 in 2017. New LNG supply and the prospect of significant additional volumes over the coming 3-years that will exceed near-term demand has resulted in a “decoupling” of LNG prices from oil. An abundance of available LNG in both the Pacific and Atlantic basins also led to a narrowing of the gap in pricing in different geographic regions. This has continued to adversely affect the length of voyages in the spot LNG shipping market and consequently suppressed spot rates and medium term charter rates for charters. Although the arrival of substantial volumes of new LNG over the next three years is expected to positively impact the shipping market and remain supportive of the FSRU business, a prolonged period of low LNG prices could negatively impact new investment decisions for large-scale LNG liquefaction projects. Whilst potentially a positive catalyst for cost competitive liquefaction solutions including floating liquefaction, this has potentially negative long-term demand consequences both for LNG carrier and FSRU demand. Any sustained decline in the delivery of new LNG volumes, chartering activity and charter rates could also adversely affect the market value of our vessels, on which certain of the ratios and financial covenants we are required to comply with in our credit facilities are based.

Growth of the LNG market may be limited by many factors, including infrastructure constraints and community and political group resistance to new LNG infrastructure over concerns about environmental, safety and terrorism.

A complete LNG project includes production, liquefaction, regasification, storage and distribution facilities and LNG carriers. Existing LNG projects and infrastructure are limited, and new or expanded LNG projects are highly complex and capital intensive, with new projects often costing several billion dollars. Many factors could negatively affect continued development of LNG infrastructure and related alternatives, including floating liquefaction, storage and regasification, or disrupt the supply of LNG, including:

- increases in interest rates or other events that may affect the availability of sufficient financing for LNG projects on commercially reasonable terms;
- decreases in the price of LNG, which might decrease the expected returns relating to investments in LNG projects;
- the inability of project owners or operators to obtain governmental approvals to construct or operate LNG facilities;
- local community resistance to proposed or existing LNG facilities based on safety, environmental or security concerns;
- any significant explosion, spill or similar incident involving an LNG production, liquefaction or regasification facility, FSRU or LNG carrier; and
- labor or political unrest affecting existing or proposed areas of LNG production, liquefaction and regasification.

We expect that, as a result of the factors discussed above, some of the proposals to expand existing or develop new LNG liquefaction and regasification facilities may be abandoned or significantly delayed. If the LNG supply chain is disrupted or does not continue to grow, or if a significant LNG explosion, spill or similar incident occurs, it could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

Fluctuations in overall LNG demand growth could adversely affect our ability to secure future time charters.

LNG trade increased by around 11% from 265 million tonnes per annum ("mtpa") in 2016 to 293 mtpa in 2017. Growth in 2016 and 2015 amounted to 6% and 1.6% respectively. As a result of geopolitical issues, LNG export capacity was removed from the market in 2012, resulting in a small reduction in trade. No trade increases were recorded in 2013 or 2014. Delays to the start-up of new liquefaction projects and geopolitical issues impacting existing facilities can impact LNG demand growth and consequently the number of time charter opportunities for LNG carrier, FLNG and FSRU owners. Future growth in the LNG trade, and therefore requirements for LNG liquefaction, shipping and regasification is highly uncertain and could fall if existing markets for LNG decline, new users and uses for LNG do not materialize as anticipated and no major export projects are sanctioned over the coming years. In the event that we have not secured long-term charters for the vessels in our fleet, a reduction in LNG trade could have an adverse effect on our ability to secure future term charters at acceptable rates.

A reduction in world-wide energy consumption could adversely affect our business.

While the most recent Energy Information Administration, or EIA, International Energy Outlook (2016), has reported that worldwide energy consumption is expected to increase by 48% from 2012 to 2040, with natural gas consumption expected to increase 69%, from 120 trillion cubic feet, or Tcf, in 2012 to 203 Tcf in 2040, there is no guarantee that the worldwide energy markets will experience such increases. Any decrease in energy and natural gas consumption could have an adverse effect on our revenues and profitability as there will likely be decreased demand for our services.

Changes in the supply of and demand for vessel capacity may lead to a reduction in charter hire rates and profitability for FSRUs and LNG carriers.

The supply of vessels generally increases with deliveries of new vessels and decreases with the scrapping of older vessels, conversion of vessels to other uses, and loss of tonnage as a result of casualties. Hire rates for LNG carriers, and to a lesser extent FSRUs, may fluctuate over time as a result of changes in the supply-demand balance relating to current and future capacity of FSRUs and LNG carriers. This supply-demand relationship largely depends on a number of factors outside our control, such as world natural gas prices and energy markets. A substantial or extended decline in natural gas prices could adversely affect our or the Cool Pool's ability to charter or recharter vessels at acceptable rates or our ability to acquire and profitably operate new FSRUs or LNG carriers. Hire rates for FSRUs and LNG carriers correlate to the price of newbuilding FSRUs and LNG carriers. If rates are lower when we or the Cool Pool are seeking a new charter, our earnings and ability to make distributions to our shareholders will suffer. While we currently believe that there is demand for additional tonnage in the near-term, an over-supply of vessel capacity combined with a decline in the demand for such vessels, may result in a reduction of charter hire rates. If such a reduction continues in the future, upon the expiration or termination of our vessels' current charters, we or the Cool Pool may only be able to re-charter vessels at reduced or unprofitable rates or we or the Cool Pool may not be able to charter vessels at all, which would have a material adverse effect on our revenues and profitability.

Vessel values may fluctuate substantially and, if these values are lower at a time when we are attempting to dispose of vessels, we may incur a loss and, if these values are higher when we are attempting to acquire vessels, we may not be able to acquire vessels at attractive prices.

Vessel values can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic and market conditions in the natural gas and energy markets;
- a substantial or extended decline in demand for LNG;
- increases in the supply of vessel capacity;
- the type, size and age of a vessel; and
- the cost of newbuildings or retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, customer requirements or otherwise.

As our vessels age, the expenses associated with maintaining and operating them are expected to increase, which could have an adverse effect on our business and operations if we do not maintain sufficient cash reserves for maintenance and replacement capital expenditures. Moreover, the cost of a replacement vessel would be significant.

During the period a vessel is subject to a charter, we will not be permitted to sell it to take advantage of increases in vessel values without the charterers' agreement. If a charter terminates, we may be unable to re-deploy the affected vessels at attractive rates and, rather than continue to incur costs to maintain and finance them, we may seek to dispose of them. When vessel values are low, we may not be able to dispose of vessels at a reasonable price when we

wish to sell vessels, and conversely, when vessel values are elevated, we may not be able to acquire additional vessels at attractive prices when we wish to acquire additional vessels, which could adversely affect our business, results of operations, cash flow, financial condition and ability to make distributions to shareholders. Please refer to "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Critical Accounting Policies and Estimates-Vessel Market Values" for further information.

The market for LNG transportation and regasification services is competitive and we may not be able to compete successfully, which would adversely affect our earnings.

The market for LNG transportation and regasification services in which we operate is competitive, especially with respect to the negotiation of long-term charters. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Furthermore, new competitors with greater resources could enter the market for LNG carriers or FSRUs and operate larger fleets through consolidations, acquisitions or the purchase of new vessels, and may be able to offer

lower charter rates and more modern fleets. If we are not able to compete successfully, our earnings could be adversely affected. Competition may also prevent us from achieving our goal of profitably expanding into other areas of the LNG industry.

A cyber-attack could materially disrupt our business.

We rely on information technology systems and networks in our operations and administration of our business. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations.

Recent action by the United Nation's International Maritime Organization, or IMO, Maritime Safety Committee and U.S. agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

Terrorist attacks, increased hostilities or war could lead to further economic instability, increased costs and disruption of our business.

LNG facilities, shipyards, vessels (including FSRUs and conventional LNG carriers), pipelines and gas fields could be targets of future terrorist attacks. Terrorist attacks, war or other events beyond our control that adversely affect the production, liquefaction, storage, transportation or regasification of LNG to be shipped or processed by us could entitle our customers to terminate our charters, which would harm our cash flow and our business. Concern that LNG facilities may be targeted for attack by terrorists has contributed to significant community and environmental resistance to the construction of a number of LNG facilities, primarily in North America. If a terrorist incident involving an LNG facility, FSRU or LNG carrier did occur, the incident could adversely affect construction of additional LNG facilities, FSRUs or FLNGs or the temporary or permanent closing of various LNG facilities or FSRUs currently in operation.

In addition, continuing conflicts and recent developments in Europe, with respect to the Ukraine and Russia, in the Middle East, including Israel, Iraq, Syria and Yemen, and in Africa, including Libya and the areas where Boko Haram operates, such as Nigeria and Cameroon, and the presence of the United States and other armed forces in Afghanistan, Iraq and Syria may lead to additional acts of terrorism and armed conflict around the world, which may contribute to economic instability and uncertainty in global financial markets or could impact our operations. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism have also affected vessels trading in regions throughout the world. Any of these occurrences, or the perception that our vessels are potential terrorist targets, could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends.

Acts of piracy on ocean-going vessels could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, Strait of Malacca, Arabian Sea, Red Sea, Gulf of Aden off the coast of Somalia, Indian Ocean and Gulf of

Guinea. Sea piracy incidents continue to occur, particularly in the Indian Ocean, and increasingly in the Gulf of Guinea and Strait of Malacca, with tanker vessels vulnerable to such attacks. Yet, some sources report there was a drop in the number of piracy incidents in 2016. If piracy attacks result in regions in which our vessels are deployed being characterized as “war risk” zones by insurers or Joint War Committee “war and strikes” listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew and security equipment costs, including costs which may be incurred to employ onboard security armed guards to comply with Best Management Practices for Protection against Somalia Based Piracy, or BMP4, or any updated version, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention or hijacking as a result of an act of piracy against our vessels, increased costs associated with seeking to avoid such events (including increased bunker costs resulting from vessels being rerouted or travelling at increased speeds as recommended by BMP4), or unavailability of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and cash flows, and ability to pay dividends, and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

Our insurance coverage may be insufficient to cover losses that may occur to our property or result from our operations or our insurance costs may increase significantly.

The operation of LNG carriers and FSRUs is inherently risky. Although we carry insurance, all risks may not be adequately insured against, and any particular claim may not be paid. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. Certain of our insurance coverage is maintained through mutual protection and indemnity associations and, as a member of such associations, we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, upon renewal or expiration of our current policies, the insurance that may be available to us may be significantly more expensive than our existing coverage.

We may be subject to increased premium payments, or calls, if the value of our claim records or the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability (including pollution-related liability) significantly exceed projected claims. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Our vessels may call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, which could adversely affect our business.

Although no vessels operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism, such as Iran, Sudan and Syria, in the future our vessels may call on ports in these countries from time to time on our charterers' instructions. None of our vessels made any port calls to Iran in 2017. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expanded the application of the prohibitions to companies such as ours and introduced limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, in 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new

sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action," or JPOA. Under the JPOA it was agreed that, in exchange for

Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the U.S. and EU would voluntarily suspend certain sanctions for a period of six months. On January 20, 2014, the U.S. and E.U. indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures included, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014. The JPOA was subsequently extended twice.

On July 14, 2015, the P5+1 and the EU announced that they reached a landmark agreement with Iran titled the Joint Comprehensive Plan of Action Regarding the Islamic Republic of Iran's Nuclear Program, or the JCPOA, which is intended to significantly restrict Iran's ability to develop and produce nuclear weapons for 10 years while simultaneously easing sanctions directed toward non-U.S. persons for conduct involving Iran, but taking place outside of U.S. jurisdiction and does not involve U.S. persons. On January 16, 2016, the United States joined the EU and the UN in lifting a significant number of their nuclear-related sanctions on Iran following an announcement by the International Atomic Energy Agency, or the IAEA that Iran had satisfied its respective obligations under the JCPOA.

U.S. sanctions prohibiting certain conduct that is now permitted under the JCPOA have not actually been repealed or permanently terminated at this time. Rather, the U.S. government has implemented changes to the sanctions regime by: (1) issuing waivers of certain statutory sanctions provisions; (2) committing to refrain from exercising certain discretionary sanctions authorities; (3) removing certain individuals and entities from OFAC's sanctions lists; and (4) revoking certain Executive Orders and specified sections of Executive Orders. These sanctions will not be permanently "lifted" until the earlier of "Transition Day," set to occur on October 20, 2023, or upon a report from the IAEA stating that all nuclear material in Iran is being used for peaceful activities.

As a result of the crisis in Ukraine and the annexation of Crimea by Russia earlier in 2014, both the U.S. and EU have implemented sanctions against certain persons and entities. In addition, various restrictions on trade have been implemented which, amongst others, include a prohibition on the import into the EU of goods originating in Crimea or Sevastopol as well as restrictions on trade in certain dual-use and military items and restrictions in relation to various items of technology associated with the oil industry for use in deep water exploration and production, Arctic oil exploration and production, or shale oil projects in Russia. The U.S. has imposed sanctions against certain designated Russian entities and individuals, or U.S. Russian Sanctions Targets. These sanctions block the property and all interests in property of the U.S. Russian Sanctions Targets. This effectively prohibits U.S. persons from engaging in any economic or commercial transactions with the U.S. Russian Sanctions Targets unless the same are authorized by the U.S. Treasury Department. While the prohibitions of these sanctions are not directly applicable to us, we have compliance measures in place to guard against transactions with U.S. Russian Sanctions Targets which may involve the United States or U.S. persons and thus implicate prohibitions.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. We are subject to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such sanctions and embargo laws. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely

affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Our vessels operating in international waters, now or in the future, will be subject to various federal, state and local laws and regulations relating to protection of the environment.

Our vessels traveling in international waters are subject to various existing regulations published by the IMO, such as marine pollution and prevention requirements imposed by the IMO.

The IMO International Convention for the Prevention of Pollution from Ships of 1973 as from time to time amended, and generally referred to as MARPOL, can affect our operations. In addition, our LNG vessels may become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, or the HNS, adopted in 1996 and subsequently amended by the April 2010 Protocol, which is discussed further below.

In addition, national laws generally provide for a LNG carrier or offshore LNG facility owner or operator to bear strict liability for pollution, subject to a right to limit liability under applicable national or international regimes for limitation of liability. However, some jurisdictions are not a party to an international regime limiting maritime pollution liability, and, therefore, a vessel owner's or operator's rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

Our vessels operating in U.S. waters now or, in the future, will be subject to various federal, state and local laws and regulations relating to protection of the environment, including, but not limited to, the Oil Pollution Act of 1990, or the OPA, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, or the CERCLA, the Clean Water Act, or the CWA, and the Clean Air Act, or the CAA. In some cases, these laws and regulations require us to obtain governmental permits and authorizations before we may conduct certain activities. These environmental laws and regulations may impose substantial penalties for noncompliance and substantial liabilities for pollution, including joint and several liability and strict liability. Failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. As with the industry generally, our operations will entail risks in these areas, and compliance with these laws and regulations, which may be subject to frequent revisions and reinterpretation, may increase our overall cost of business.

Please see "Item 4. Information on the Company-B. Business Overview-Environmental and Other Regulations-International Maritime Regulations of LNG Vessels" and "-Other Regulations" below for a more detailed discussion on these topics.

Our operations are subject to substantial environmental and other regulations, which may significantly increase our expenses.

Our operations are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties and conventions in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those governing oil spills, discharges to air and water, and the handling and disposal of hazardous substances and wastes. These regulations include, but are not limited to, MARPOL, including designation of Emission Control Areas, or ECAs, thereunder, the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and generally referred to as CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage, or Bunker Convention, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended and generally referred to as SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, the IMO International Convention on Load Lines of 1966, as from time to time amended, the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004, or the BWM Convention, the HNS, the OPA, requirements of the U.S. Coast Guard, or USCG, and the U.S. Environmental Protection Agency, or EPA, the CERCLA, the CWA, the CAA, the U.S. Outer Continental Shelf Lands Act, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and European Union, or EU, regulations.

Many of these requirements are designed to reduce the risk of oil spills and other pollution. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional regulatory requirements, including enhanced risk assessment and security requirements and

greater inspection and safety requirements on vessels. We expect to incur substantial expenses in complying with these laws and regulation, including expenses for vessel modifications and changes in operating procedures.

These requirements can affect the resale value or useful lives of our vessels, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and joint and several liability and strict liability, in the event that there is a release of hazardous substances from our vessels or otherwise in connection with our operations. We could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with our operations. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations, including, in certain instances, seizure or detention of our vessels.

Please see "Item 4. Information on the Company-B. Business Overview-Environmental and Other Regulations-International Maritime Regulations of LNG Vessels" and "-Other Regulations" below for a more detailed discussion on these topics.

Further changes to existing environmental legislation that is applicable to international and national maritime trade may have an adverse effect on our business.

In June 2015 the IMO formally adopted the International Code of Safety for Ships using Gases or Low flashpoint Fuels, or the IGF Code, which is designed to minimize the risks involved with ships using low flashpoint fuels-including LNG. The IGF Code will be mandatory under SOLAS through the adopted amendments. The IGF Code and the amendments to SOLAS became effective January 1, 2017.

Further legislation, or amendments to existing legislation, applicable to international and national maritime trade are expected over the coming years in areas such as ship recycling, sewage systems, emission control (including emissions of greenhouse gases), and ballast treatment and handling. The United States has recently enacted legislation and regulations that require more stringent controls of air and water emissions from ocean-going vessels. Such legislation or regulations may require additional capital expenditures or operating expenses (such as increased costs for low-sulfur fuel) in order for us to maintain our vessels' compliance with international and/or national regulations.

Regulations relating to ballast water discharge coming into effect during September 2019 may adversely affect our revenues and profitability.

The IMO has imposed updated guidelines on ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the IOPP renewal survey, existing vessels must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. The costs of compliance to the updated guidelines may be substantial and adversely affect our revenues and profitability.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries, U.S. states, the E.U. and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from vessel emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Additionally, a treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws and regulations relating to climate change could increase our costs of operating and maintaining our vessels and could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Due to the nature of our business, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business.

Please see "Item 4. Information on the Company-B. Business Overview-Environmental and Other Regulations-International Maritime Regulations of LNG Vessels" and "-Other Regulations" below for a more detailed discussion on these topics.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

Crew members, suppliers of goods and services to our vessels, shippers of cargo or other parties may be entitled to a maritime lien against one or more of our vessels for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. In a few jurisdictions, such as South Africa, claimants could try to assert “sister ship” liability against one vessel in our fleet for claims relating to another of our vessels. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest lifted. In addition, in some jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest both the vessel which is subject to the claimant’s maritime lien and any “associated” vessel, which is any vessel owned or controlled by the same owner under some of our present charters. If the vessel is arrested or detained for as few as 14 days as a result of a claim against us, we may be in default of our charter and the charterer may terminate the charter.

Governments could requisition our vessels during a period of war or emergency.

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our business, financial condition, results of operations, cash flows, and ability to pay dividends.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every large, oceangoing commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. The Golar Arctic, the Golar Frost and the Golar Bear are certified by the American Bureau of Shipping and all our other vessels are each certified by Det Norske Veritas. The American Bureau of Shipping and Det Norske Veritas are all members of the International Association of Classification Societies. All of our vessels have been awarded ISM certification or are in the process of being certified and are currently “in class” other than two LNG carriers, of which the Gimi is laid up and scheduled to be converted by Keppel and the Gandria has recently been taken out of lay-up and entered Keppel's shipyard to commence generic work in readiness for her conversion into a FLNG

As part of the certification process, a vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Each of the vessels in our existing fleet is on a planned maintenance system approval, and as such the classification society attends onboard once every year to verify that the maintenance of the equipment onboard is done correctly. Each of the vessels in our existing fleet is required to be qualified within its respective classification society for drydocking once every five years subject to an intermediate underwater survey done using an approved diving company in the presence of a surveyor from the classification society.

If any vessel does not maintain its class or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable. We would lose revenue while the vessel was off-hire and incur costs of compliance. This would negatively impact our revenues and reduce our cash available for distributions to our shareholders.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessels and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims that could have an adverse effect on our business, financial condition, results of operations, cash flows, and ability to pay dividends.

Changing laws and evolving reporting requirements could have an adverse effect on our business.

Changing laws, regulations and standards relating to reporting requirements, including the UK Modern Slavery Act 2015 and the European Union General Data Protection Regulation (“GDPR”), will create additional compliance

requirements for companies such as ours. To maintain high standards of corporate governance and public disclosure, we have invested in, and intend to continue to invest in, reasonably necessary resources to comply with evolving standards.

The Modern Slavery Act 2015 requires any commercial organizations that carry on a business or part of a business in the UK which both (i) supply goods or services and (ii) have an annual worldwide turnover of £36 million to prepare a slavery and human trafficking statement for each financial year ending on or after March 31, 2016. In this statement, the commercial organization must set out the steps it has taken to ensure there is no modern slavery in its own business and its supply chain, or state that it has taken no such steps. The Secretary of State may enforce the duty to prepare a slavery and human trafficking statement by means of civil proceedings against the organization concerned.

To the extent that we are found to be non-compliant of the requirements of the UK Modern Slavery Act 2015, whether with or without our knowledge, we may face governmental or other regulatory claims that could have an adverse effect on our business, financial condition, results of operations, cash flows, and ability to pay dividends.

GDPR broadens the scope of personal privacy laws to protect the rights of European Union citizens and requires organizations to report on data breaches within 72 hours and be bound by more stringent rules for obtaining the consent of individuals on how their data can be used.

GDPR will become enforceable on May 25, 2018 and non-compliance may expose entities to significant fines or other regulatory claims which could have an adverse effect on our business, financial conditions, results of operations, cash flows and ability to pay distributions.

Risks Related to our Common Shares

If we fail to meet the expectations of analysts or investors, our stock price could decline substantially.

In some quarters, our results may be below analysts' or investors' expectations. If this occurs, the price of our common stock could decline.

Important factors that could cause our revenue and operating results to fluctuate from quarter to quarter include, but are not limited to:

- prevailing economic and market conditions in the natural gas and energy markets;
- negative global or regional economic or political conditions, particularly in LNG-consuming regions, which could reduce energy consumption or its growth;
- declines in demand for LNG or the services of LNG carriers, FSRUs or FLNGs;
- increases in the supply of LNG carrier capacity operating in the spot/short-term market or the supply of FSRUs or FLNGs;
- marine disasters; war, piracy or terrorism; environmental accidents; or inclement weather conditions;
- mechanical failures or accidents involving any of our vessels; and
- drydock scheduling and capital expenditures.

Most of these factors are not within our control, and the occurrence of one or more of them may cause our operating results to vary widely.

Our common share price may be highly volatile and future sales of our common shares could cause the market price of our common shares to decline.

Historically, the market prices of securities of shipping companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of those companies. Our common shares have traded on the Nasdaq Global Select Market, or Nasdaq, since December 12, 2002 under the symbol "GLNG." We cannot assure you that an active and liquid public market for our common shares will continue. The market price for our common shares has historically fluctuated over a wide range. In 2017, the closing market price of our common shares on Nasdaq ranged from a low of \$19.50 on October 26, 2017 to a high of \$29.95 per share on December 27, 2017. As of April 6, 2018, the closing market price of our common shares on Nasdaq was \$28.05. The market price of our common shares may continue to fluctuate significantly in response to many factors such as actual or anticipated fluctuations in our quarterly or annual results and those of other public companies in our industry, the suspension of our dividend payments, mergers and strategic alliances in the shipping industry, market conditions in the LNG shipping industry, developments in our FLNG investments, shortfalls in our operating results from levels forecast by securities analysts, announcements concerning us or our competitors, the general state of the securities market, and other factors, many of which are beyond our control. The market for common shares in this industry may be equally volatile. Therefore, we cannot assure our shareholders that they will be able to sell any of our common shares that they may have purchased at a price greater than or equal to the original purchase price.

Additionally, sales of a substantial number of our common shares in the public market, or the perception that these sales could occur, may depress the market price for our common shares. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

We may issue additional common shares or other equity securities without our shareholders' approval, which would dilute their ownership interests and may depress the market price of our common shares.

We may issue additional common shares or other equity securities in the future in connection with, among other things, vessel conversions, future vessel acquisitions, repayment of outstanding indebtedness or our equity incentive plan, in each case without shareholder approval in a number of circumstances.

Our issuance of additional common shares or other equity securities would have the following effects:

- our existing shareholders' proportionate ownership interest in us will decrease;
- the amount of cash available for dividends payable on our common shares may decrease;
- the relative voting strength of each previously outstanding common share may be diminished; and
- the market price of our common shares may decline.

We are a holding company, and our ability to pay dividends will be limited by the value of investments we currently hold and by the distribution of funds from our subsidiaries and affiliates.

We are a holding company whose assets mainly comprise equity interests in our subsidiaries and other quoted and non-quoted companies and our interest in our affiliates. As a result, should we decide to pay dividends, we would be dependent on the performance of our operating subsidiaries and other investments. If we were not able to receive sufficient funds from our subsidiaries and other investments, including from the sale of our investment interests, we would not be able to pay dividends unless we obtain funds from other sources. We may not be able to obtain the necessary funds from other sources on terms acceptable to us.

Because we are a Bermuda corporation, our shareholders may have less recourse against us or our directors than shareholders of a U.S. company have against the directors of that U.S. Company.

Because we are a Bermuda company, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders in other jurisdictions, including with respect to, among other things, rights related to interested directors, amalgamations, mergers and acquisitions, takeovers, the exculpation and indemnification of directors and shareholder lawsuits.

Among these differences is a Bermuda law provision that permits a company to exempt a director from liability for any negligence, default, or breach of a fiduciary duty except for liability resulting directly from that director's fraud or dishonesty. Our bye-laws provide that no director or officer shall be liable to us or our shareholders unless the director's or officer's liability results from that person's fraud or dishonesty. Our bye-laws also require us to indemnify a director or officer against any losses incurred by that director or officer resulting from their negligence or breach of duty, except where such losses are the result of fraud or dishonesty. Accordingly, we carry directors' and officers' insurance to protect against such a risk.

In addition, under Bermuda law, the directors of a Bermuda company owe their duties to that company and not to the shareholders. Bermuda law does not, generally, permit shareholders of a Bermuda company to bring an action for a wrongdoing against the company or its directors, but rather the company itself is generally the proper plaintiff in an action against the directors for a breach of their fiduciary duties. Moreover, class actions and derivative actions are generally not available to shareholders under Bermuda law. These provisions of Bermuda law and our bye-laws, as well as other provisions not discussed here, may differ from the law of jurisdictions with which shareholders may be more familiar and may substantially limit or prohibit a shareholder's ability to bring suit against our directors or in the name of the company. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

It's also worth noting that under Bermuda law, our directors and officers are required to disclose to our board any material interests they have in any contract entered into by our company or any of its subsidiaries with third parties. Our directors and officers are also required to disclose their material interests in any corporation or other entity which is party to a material contract with our company or any of its subsidiaries. A director who has disclosed his or her interests in accordance with Bermuda law may participate in any meeting of our board, and may vote on the approval of a material contract, notwithstanding that he or she has a material interest.

Because our offices and most of our assets are outside the United States, our shareholders may not be able to bring a suit against us, or enforce a judgment obtained against us in the United States.

We, and most of our subsidiaries, are incorporated in jurisdictions outside the U.S. and substantially all of our assets and those of our subsidiaries are located outside the U.S. In addition, most of our directors and officers are non-residents of the U.S., and all or a substantial portion of the assets of these non-residents are located outside the U.S. As a result, it may be difficult or impossible for U.S. investors to serve process within the U.S. upon us, our subsidiaries, or our directors and officers, or to enforce

a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our or our subsidiaries' assets are located would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. federal and state securities laws, or would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a midstream LNG company engaged primarily in the transportation and regasification of LNG and the liquefaction of natural gas. We are engaged in the acquisition, ownership, operation and chartering of LNG carriers and FSRUs, and the development of LNG projects, including the provision of FLNGs, through our subsidiaries, affiliates and joint ventures.

As of April 6, 2018, we, together with our affiliates Golar Partners and Golar Power, have a combined fleet of 26 vessels, comprised of 18 LNG carriers, seven FSRUs and one FLNG. Of these vessels, six of the FSRUs and four of the LNG carriers are owned by Golar Partners and are mostly on long-term time charters. Eight of our vessels and two of Golar Power's vessels are participating in the LNG carrier pool, referred to as the Cool Pool. In addition our affiliate, Golar Power, has one newbuilding commitment for the construction of a FSRU, which is scheduled for delivery from the shipyard in the second half of 2018. Of the remaining vessels, the Gimi is being contemplated for conversion into a FLNG. The Gandria entered Keppel's shipyard in March 2018 to commence generic work in readiness for her conversion into a FLNG, which is expected to commence after we issue a notice to proceed. The Hilli completed her conversion into a FLNG in October 2017 and she arrived in Cameroon on November 20, 2017 where she is undergoing commissioning activities. We expect acceptance testing procedures to commence shortly.

We intend to leverage our relationships with existing customers and continue to develop relationships with other industry participants. Our goal is to earn higher margins through maintaining strong service-based relationships combined with flexible and innovative LNG shipping, FSRU and FLNG solutions. We believe customers place their confidence in our shipping, storage, regasification and liquefaction services based on the reliable and safe way we conduct our, our affiliates' and our joint ventures' LNG operations.

In line with our ambition to become an integrated LNG midstream asset provider and our experience of converting LNG carriers into FSRUs, we have successfully converted one of our LNG carriers, the Hilli, into a FLNG. We have entered into definitive contracts with Keppel and Black & Veatch for the conversion of two LNG carriers, the Gimi and the Gandria, into FLNGs. These developments are complementary to our existing core business, namely LNG shipping and provision of FSRUs, and so we remain firmly committed to our shipping and FSRU franchises. In addition, our aim is to find strong strategic partners that have an interest in utilizing one or more of our FLNGs.

We are listed on Nasdaq under the symbol "GLNG". We were incorporated under the name Golar LNG Limited as an exempted company under the Bermuda Companies Act of 1981 in the Islands of Bermuda on May 10, 2001 and maintain our principal executive headquarters at 2nd Floor, S.E. Pearman Building, 9 Par-la-Ville Road, Hamilton HM 11, Bermuda. Our telephone number at that address is +1 (441) 295-4705. Our principal administrative offices are located at One America Square, 17 Crosswall, London, United Kingdom and our telephone number at that address is +44 207 063 7900.

Golar Partners

In September 2007, we formed Golar Partners under the laws of the Republic of the Marshall Islands as a wholly-owned subsidiary. Golar Partners was formed to own vessels with long-term charters, typically five years or longer, through wholly-owned subsidiaries in order to distribute the different risk profiles of the different vessel types of total fleet controlled or affiliated with Golar. Golar Operating LLC, or the General Partner, our wholly-owned subsidiary, was also formed in September 2007 to act as the general partner of Golar Partners under the limited partnership agreement of Golar Partners, and under that agreement the General Partner received a 2% general partner interest and 100% of the IDRs in Golar Partners.

In April 2011, we completed the IPO of Golar Partners. Golar Partners is listed on Nasdaq under the symbol "GMLP". In connection with this IPO, we entered into an omnibus agreement, or the Omnibus Agreement, governing, among other things when the Company and Golar Partners may compete against each other as well as rights of first offer on certain FSRUs and LNG carriers.

Since December 2012, Golar Partners has been considered as an affiliate entity and not as our controlled subsidiary. As of April 6, 2018, we own 100% of the general partner units and 30.4% of the common units in Golar Partners, in addition to 100% of the IDRs.

Since the IPO of Golar Partners, we have sold equity interests in six vessels to Golar Partners for an aggregate value of \$1.9 billion. As of April 6, 2018, Golar Partners had a fleet of ten vessels acquired from or contributed by us to provide funding for our FLNG projects as well as our growth.

Further, in August 2017, we entered into a purchase and sale agreement with Golar Partners for the disposal from Golar and affiliates of Keppel and Black & Veatch of 50% of the common units in Golar Hilli LLC which will, on the closing date of the sale, indirectly (via its wholly-owned subsidiary) be the disponent owner the Hilli. Please refer to refer to "Item 4. Information on the Company-A. History and Development of the Company-FLNG segment-The Hilli Disposal" for further information.

The majority of the proceeds received from the sales of these vessels to Golar Partners have been used to make installment payments under our newbuilding program. Furthermore, the sale of these assets has made Golar Partners a more profitable company, which has resulted in increased distributions to unitholders of the Partnership. As a major shareholder of Golar Partners, and the beneficial owner of Golar Partners' IDRs, we have benefited from the increased distributions.

Golar Power

In order to further develop and finance our LNG based downstream investment opportunities, in June 2016, we formed Golar Power, a 50/50 joint venture with investment vehicles affiliated with the private equity firm Stonepeak Infrastructure Partners, or Stonepeak. The joint venture company, Golar Power, offers integrated LNG based downstream solutions, through the ownership and operation of FSRUs and associated terminal and power generation infrastructure. Golar Power currently has a 50% interest in a Brazilian corporation, CELSE, that was formed for the purpose of constructing and operating a combined cycle, gas fired, power plant with installed capacity of 1,515 megawatts located in the municipality of Barra dos Coqueiros in the State of Sergipe in Brazil ("Sergipe Project"). The cost of constructing the power plant and related terminal, including taxes and financing costs, is estimated at \$1.3 billion. Golar Power also owns a FSRU newbuild that is currently being constructed at Samsung shipyard, and two modern 160,000 cbm trifuel LNG carriers, the Golar Penguin and the Golar Celsius, currently operating in the Cool Pool, suited for conversion to FSRUs. Golar Power has entered into an Omnibus Agreement with Golar Partners, under which Golar Partners has a right of first refusal with respect to any transfers or sales of any LNG carrier or FSRU owned by Golar Power and operating under a charter for five or more years. We account for our investment in Golar Power under the equity method.

OneLNG

In July 2016, we formed OneLNG, a joint venture with Schlumberger B.V., or Schlumberger, a subsidiary of Schlumberger Group, which is intended to offer an integrated upstream and midstream solution for the development of low cost gas reserves and the conversion of natural gas to LNG. OneLNG will be the exclusive vehicle for both joint venture parties for all future projects that involve the conversion of natural gas to LNG and can utilize both Schlumberger's production management services and Golar's FLNG capabilities. We hold 51% and Schlumberger the remaining 49% of the shares in OneLNG and we have equal management and governance rights. By virtue of substantive participation rights held by Schlumberger, we account for our investment in OneLNG under the equity method.

Vessel operations segment

Vessel acquisitions and capital expenditures

Since January 1, 2015, we invested \$601 million in our vessels and equipment, and newbuildings comprising:

four newbuildings (three LNG carriers and one FSRU); and

- the LNG carrier LNG Abuja for \$20 million in April 2015, albeit she was subsequently sold in July 2015.

Disposals

Since January 1, 2015, we have entered into the following sale and purchase transactions:

In January 2015, we sold our interests in the companies that own and operate the FSRU, Golar Eskimo (including charter) for \$388.8 million less the assumed \$162.8 million of bank debt plus other purchase price adjustments. Golar Partners financed the remaining purchase price by using \$7.2 million cash on hand and the proceeds of a \$220 million loan from us, which was fully repaid in 2015;

In May 2016, we sold our equity interests in the company ("Tundra Corp") that is the disponent owner of the Golar Tundra and the related time charter for \$330 million less the net lease obligations under the related lease agreement with China Merchant Bank Financial Leasing, or CMBL, plus other purchase price adjustments. At the time of sale, the Golar Tundra was subject to a time charter with West Africa Gas Limited, or WAGL. Concurrent with the closing of the sale of Tundra Corp, we entered into an agreement with Golar Partners (as amended, the "Tundra Letter Agreement") which provided, among others, that in the event the Golar Tundra had not commenced service under the charter with WAGL by May 23, 2017, Golar Partners had the option (the "Tundra Put Right") to require us to repurchase Tundra Corp at a price equal to the original purchase price (the "Tundra Put Sale"). The Golar Tundra's project made limited progress and, on May 30, 2017, Golar Partners elected to exercise the Tundra Put Right.

In connection with the exercise of the Tundra Put Right, we and Golar Partners entered into an agreement pursuant to which we agreed to purchase Tundra Corp from Golar Partners on the date of the closing of the Tundra Put Sale (the "Put Sale Closing Date") for an amount equal to \$107 million (the "Deferred Purchase Price") plus an additional amount equal to 5% per annum of the Deferred Purchase Price (the "Additional Amount"). The Deferred Purchase Price and the Additional Amount shall be due and payable by us on the earlier of (a) the date of the closing of the Hilli Disposal and (b) March 31, 2018. Golar Partners have agreed to accept the Deferred Purchase Price and the Additional Amount in lieu of a cash payment on the Put Sale Closing Date in return for an option (which Golar Partners have exercised) to purchase an interest in the Hilli. The closing of the Tundra Put Sale occurred on October 17, 2017; and

In August 2017, we entered into a purchase and sale agreement with Golar Partners for the disposal from Golar and affiliates of Keppel and Black & Veatch of 50% of the common units in Golar Hilli LLC which will, on the closing date of the sale, be the indirect disponent owner of the Hilli. Please refer to "Item 4. Information on the Company-A. History and Development of the Company-FLNG segment-The Hilli Disposal" for further information.

In addition:

As discussed above, following the acquisition of the LNG Abuja in April 2015, we subsequently sold her in July 2015 for cash consideration of \$19 million, resulting in the recognition of an impairment loss of \$1 million;

In February 2015, we completed the sale of our LNG carrier, the Golar Viking, to a third party for \$135.0 million. In connection with the sale, we provided initial bridging finance of \$133.0 million plus a revolving credit facility of \$5 million. However, due to the acquirer's difficulties in realizing any short-haul cabotage trade opportunities in Indonesia, we agreed to the repossession of the vessel in consideration for extinguishment for the outstanding balances on the loan receivables. Accordingly, we repossessed the vessel in December 2015; and

In connection with the formation of the Golar Power joint venture, we contributed to it our former subsidiaries that: (i) own the Golar Penguin and the Golar Celsius; (ii) holds the FSRU newbuilding contract with Samsung; and (iii) holds the rights to participate in the Sergipe Project. Subsequently in July 2016, we received net proceeds of \$113 million from our sale to Stonepeak of 50% of the ordinary share capital of Golar Power. Accordingly, effective from the date of the sale to Stonepeak, we deconsolidated the results and net assets of Golar Power.

Since January 1, 2015, we have also refinanced certain of our vessels pursuant sale and leaseback arrangements as further described in note 5 "Variable Interest Entities" of our Consolidated Financial Statements included herein.

Investments

Since January 1, 2015, we have acquired and divested interests in a number of companies including:

-

Golar Partners - In January 2015, we completed a secondary offering of 7,170,000 of Golar Partners common units, at a price of \$29.90 per unit, generating net proceeds of \$207.4 million. In August 2015, our Board of Directors approved a unit purchase program under which we could purchase up to \$25 million worth of Golar Partners outstanding units over 12 months. Pursuant to the terms of the program, we purchased \$5.0 million worth of Golar Partners' units prior to its expiry.

Further, on October 13, 2016, we entered into an equity exchange agreement with Golar Partners in which we reset our rights to receive cash distributions in respect of our interests in the incentive distribution rights, or Old IDRs, in exchange for the issuance of (i) a new class of incentive distribution rights, or New IDRs, (ii) an aggregate of 2,994,364 common units and 61,109 general partner units, and (iii) an aggregate of up to 748,592 additional common units and up to 15,278 additional general partner units that may be issued if target distributions are met ("the Earn-Out Units"). Based on the

agreement, half of the Earn-Out Units ("first tranche") would vest if Golar Partners paid a distribution equal to, or greater than, \$0.5775 per common unit in each of the quarterly periods ended December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017. Having satisfied the minimum quarterly distribution in respect of these quarters, Golar Partners issued to Golar 374,295 common units and 7,639 general partner units on November 15, 2017. The agreement also required Golar Partners to pay Golar the distributions that it would have been entitled to receive on these units in respect of each of those four preceding quarters. Therefore, in connection with the issuance of the above Earn-Out Units, Golar also received \$0.9 million in dividends in the period. The remaining Earn-Out Units ("second tranche") will be issued if Golar Partners pay a distribution equal to \$0.5775 per common unit in the periods ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018. The New IDRs result in the minimum distribution level increasing from \$0.3850 per common unit to \$0.5775 per common unit. The fair value of the Old IDRs was not materially different to the fair value of all of the newly issued instruments. Accordingly, as of April 6, 2018, we own the following interests in Golar Partners: 30.4% of the common units, the 2% general partner interest (through our ownership of the general partner) and all the New IDRs. Together, these investments amount to approximately 31.8% ownership interest in Golar Partners and 100% of the New IDRs.

Golar Wilhelmsen - In September 2015, we acquired the remaining 40% interest in GWM from Wilhelmsen Ship Management (Norway) AS, for \$0.2 million, making it our wholly-owned subsidiary. Golar Management uses the services of GWM to provide the technical, commercial and crew management services both to our and Golar Partners' vessels. GWM was subsequently renamed Golar Management Norway AS, or GMN.

Golar Power - As discussed above, we entered into certain agreements to form Golar Power with Stonepeak in June 2016.

OneLNG - As discussed above, we entered into a Joint Venture and Shareholders' Agreement with Schlumberger to form OneLNG in July 2016.

FLNG segment

FLNG Hilli

On May 22, 2014, we entered into an Engineering, Procurement and Construction agreement with Keppel for the conversion of the LNG carrier the Hilli to a FLNG. Keppel simultaneously entered into a sub-contract with the global engineering, construction and procurement company Black & Veatch. Black & Veatch, will provide their licensed PRICO® technology, perform detailed engineering and process design, specify and procure topside equipment and provide commissioning support for the Golar's topsides and liquefaction process. We also entered into a Tripartite Direct Agreement with Keppel and Black & Veatch, which among other things ensures our ability to enforce all obligations under both the Engineering, Procurement and Construction agreement and the sub-contract. The Hilli conversion completed in October 2017 and she arrived in Cameroon on November 20, 2017 where she is undergoing commissioning activities. First LNG was produced from the Hilli in mid-March 2018. We expect acceptance testing procedures to commence shortly. The total estimated conversion and vessel and site commissioning cost for the Hilli, including contingency, is approximately \$1.3 billion. As of December 31, 2017, the total costs incurred in respect of the Hilli FLNG conversion and vessel and site commissioning was \$1,177.5 million.

In connection with the conversion of the Hilli to a FLNG, in September 2015, we entered into financing agreements with a subsidiary of CSSC (Hong Kong) Shipping Co. Ltd., or CSSCL. The facility is split into two phases; pre-delivery and post-delivery financing (see note 23 "Debt" of our Consolidated Financial Statements included herein).

Liquefaction Tolling Agreement ("LTA")

In October 2015, Hilli Corp entered into a binding term sheet for FLNG tolling services with the Customer for the development of the Hilli Project. The binding term sheet has been converted into a LTA with the Customer and the LTA was executed on November 29, 2017. Under the LTA, the Hilli will provide liquefaction services for the Customer until the earlier of (i) eight years from the date the delivered Hilli is accepted by the Customer (the "Acceptance Date"), or (ii) at the time of receipt and processing by the Hilli of 500 billion cubic feet of feed gas. As discussed previously, the Hilli tendered its NoR on December 3, 2017. Following the NoR, the commissioning process of testing the Hilli and preparing it for service commenced in December 2017. Under the LTA, the commercial start date to begin providing liquefaction services is the earlier of 180 days after the scheduled commissioning start date or the Acceptance Date, as may be extended by the parties. Under the terms of the LTA, the Hilli is required to make available 1.2 million tonnes of liquefaction capacity per annum, which capacity will be spread evenly over the course of each contract year. The Customer will pay Hilli Corp a monthly tolling fee, which will fluctuate to a certain extent in relation to the price of Brent Crude. The Customer has an option to increase liquefaction capacity to greater than 1.2 million tonnes per annum. The LTA provides certain termination rights to the Customer and Hilli Corp. The LTA provides for the payment by Hilli Corp of penalties of up to \$400 million (which reduces gradually as LNG production increases, reducing to \$100 million once 3.6 million tonnes of LNG has been produced), \$300 million of which is secured by a letter of credit, in the event of Hilli Corp's underperformance or non-performance, with the penalties decreasing after the second anniversary of the Acceptance Date. If the Customer elects to terminate the LTA prior to the second anniversary of the Acceptance Date, the Customer will be obligated to pay Hilli Corp \$400 million, with termination payments decreasing if the LTA is terminated after the second anniversary of the Acceptance Date.

The Hilli Disposal

On August 15, 2017, we entered into a purchase and sale agreement (the "Hilli Sale Agreement") with Golar Partners for the disposal (the "Hilli Disposal") from Golar and affiliates of Keppel and Black & Veatch of common units (the "Disposal Interests") in Golar Hilli LLC. On the closing date of the Hilli Disposal, Golar Hilli LLC will indirectly (via its wholly-owned subsidiary) be the disponent owner of the Hilli. The Disposal Interests represent the equivalent of 50% of the two liquefaction trains, out of a total of four, that are contracted to the Customer under the eight-year LTA. The sale price for the Disposal Interests is \$658 million less net lease obligations under the financing facility for the Hilli (the "Hilli Facility"), which are expected to be between \$468 and \$480 million. Concurrently with the execution of the Hilli Sale Agreement, we received a further \$70 million deposit from Golar Partners, upon which we pay interest at a rate of 5% per annum.

The closing of the Hilli Disposal is subject to the satisfaction of certain closing conditions which include, among others, the commencement of commercial operations under the LTA and the formation of Golar Hilli LLC and the related Pre-Closing Contributions. In addition, in connection with the closing, Golar Partners expect to provide a several guarantee of 50% of Hilli Corp's indebtedness under the Hilli Facility.

Upon the closing of the Hilli Disposal, which is expected to occur on or around April 30, 2018, we, along with Keppel and Black & Veatch, will sell 50% of the Hilli Common Units to Golar Partners in return for the payment by Golar Partners of the net purchase price of between approximately \$178 and \$190 million. Golar Partners will apply the \$107 million Deferred Purchase Price receivable from us in connection with the Tundra Put Sale and the \$70 million deposit referred to above against the net purchase price and will pay the balance with cash on hand. However, in the event Customer acceptance extends beyond April 30, 2018, both parties have agreed to extend the closing date for the Hilli Disposal to May 31, 2018.

The description of the Hilli Sale Agreement contained in this report is a summary and is qualified in its entirety by reference to the terms of the Hilli Sale Agreement.

Other FLNG conversions

We have entered into definitive contracts with Keppel and Black & Veatch for the conversion of the Gimi and the Gandria into FLNGs, subject to certain conditions to the contracts' effectiveness and issuance of notices to proceed with the conversions. These agreements are similar to the agreements that we entered into with respect to the Hilli conversion.

The Gandria contract was subsequently extended to June 29, 2018 and the Gimi contract was extended to December 30, 2018. Effectiveness of each remains subject to issuance of a final notice to proceed. As previously discussed, the Gandria entered Keppel's shipyard in Singapore in March 2018 to commence generic work in readiness for her conversion into a FLNG, which is expected to commence after we issue a notice to proceed under the conversion contract entered into with Keppel and Black & Veatch.

OneLNG Joint Venture

In July 2016, we formed OneLNG with Schlumberger, which is intended to offer an integrated upstream and midstream solution for the monetization of stranded gas reserves and the conversion of natural gas to LNG. We hold 51% of the shares and Schlumberger the remaining 49% in OneLNG and the parties share equal management and governance rights. Both Golar and Schlumberger have agreed pursuant to the OneLNG Joint Venture and Shareholders' Agreement that any new FLNG business development will be initiated by OneLNG. If the Board of Directors of OneLNG chooses not to proceed with an identified project, Golar or Schlumberger will be free to pursue the project independently. In addition, we or Schlumberger could leave OneLNG on mutual consent. It is anticipated that we will contribute the Gandria to OneLNG for conversion into an FLNG in connection with the Fortuna Project.

Power segment

In July 2016, we formed a 50/50 joint venture, Golar Power, with Stonepeak. Golar Power offers integrated LNG based downstream solutions, through the ownership and operation of FSRUs and associated terminal and power generation infrastructure. Please refer to Golar Power disclosure earlier in this section for further detail.

B. Business Overview

Together with our affiliates, Golar Partners and Golar Power, we are a leading independent owner and operator of LNG carriers and FSRUs. Collectively, our fleet is comprised of 18 LNG carriers, seven FSRUs and one FLNG. As of April 6, 2018, Golar Power has one remaining newbuilding commitment for the construction of a FSRU, the Golar Nanook, scheduled to be delivered during the second half of 2018, and we have agreements for the conversion of two further LNG carriers, the Gimi and the Gandria, into FLNGs. Our vessels provide or have provided LNG shipping, storage and regasification services to leading participants in the LNG industry including BG Group plc, ENI S.p.A, Petróleo Brasileiro S.A., or Petrobras, Dubai Supply Authority, PT Pertamina (Pesero), the Cool Pool and many others. Our business is focused on providing highly reliable, safe and cost efficient LNG shipping and FSRU operations. We are seeking to further develop our business in other midstream areas of the LNG supply chain, with particular emphasis on innovative floating liquefaction solutions.

As well as growing our core business and pursuing new opportunities along our value chain, we also offer commercial and technical management services for Golar Partners' and Golar Power's fleet and certain, mainly technical, services to OneLNG. Pursuant to vessel management and services agreements in place with both Golar Partners and Golar Power, we are reimbursed for all of the operating costs in connection with the management of their fleet, in addition to a 5% margin.

We intend to maintain our relationship with Golar Partners, Golar Power and OneLNG and pursue mutually beneficial opportunities, which we believe will include the sale of additional assets to Golar Partners and Golar Power to provide funding for our LNG projects as well as continue our growth.

Fleet

Current Fleet

As of April 6, 2018, our current fleet comprises two LNG carriers undergoing or being contemplated for conversions into FLNGs, the Hilli currently undergoing commissioning, 10 LNG carriers and one FSRU (which are included within the combined fleet of 26 vessels described above).

The following table lists the LNG carriers and FSRUs in our current fleet as of April 6, 2018:

Vessel Name	Year of Delivery	Capacity Cubic Meters	Flag	Type	Charterer/ Pool Arrangement	Current Charter Expiration	Charter Extension Options
Existing Fleet							
Hilli ⁽¹⁾	2017	125,000	MI	FLNG Moss	Perenco	2025	n/a
Gimi ⁽²⁾	1976	125,000	MI	Moss	n/a	n/a	n/a
Gandria ⁽²⁾	1977	126,000	MI	Moss	n/a	n/a	n/a
Golar Arctic ⁽³⁾	2003	140,000	MI	Membrane	An energy and logistics company	2019	n/a
Golar Viking ⁽⁴⁾	2005	140,000	MI	Membrane	n/a	n/a	n/a
Golar Seal ⁽⁵⁾	2013	160,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Crystal ⁽⁵⁾	2014	160,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Bear ⁽⁵⁾	2014	160,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Glacier	2014	162,000	MI	Membrane	A major Japanese trading company	2019	n/a
Golar Frost ⁽⁵⁾	2014	160,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Snow ⁽⁵⁾	2015	160,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Ice ⁽⁵⁾	2015	160,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Kelvin ⁽⁵⁾	2015	162,000	MI	Membrane	Cool Pool	n/a	n/a
Golar Tundra ⁽⁵⁾⁽⁶⁾	2015	170,000	MI	FSRU Membrane	Cool Pool	n/a	n/a

Key to flag:

MI – Marshall Islands

The Hilli conversion completed in October 2017 and she arrived in Cameroon on November 20, 2017. We expect (1) acceptance testing procedures to commence shortly. The Hilli was converted from a LNG carrier which was originally constructed in 1975.

Two of our vessels, the Gimi and the Gandria, are being contemplated for conversion into FLNG vessels. The Gimi (2) is currently in lay-up. The Gandria entered Keppel's shipyard in Singapore in March 2018 to commence generic work in readiness for her conversion into a FLNG, which is expected to commence after we issue a notice to proceed.

The charter commenced in March 2016. The charter expiration date is a date, to be determined at the charterer's (3) option, within 30 days before or after the 26 month charter term. The charter has subsequently been extended to end on the earlier of: (i) the acceptance date of a Golar Partners' FSRU contracted by the charterer and Golar Partners under a long-term charter, and (ii) January 15, 2019.

(4) This vessel is currently operating in the spot market, outside of the Cool Pool.

(5) As of April 6, 2018, we have eight vessels operating in the Cool Pool. See "Cool Pool" below.

(6) Following buy back of the Golar Tundra from Golar Partners, she subsequently joined the Cool Pool in November 2017, and is operating as a LNG carrier.

Our charterers may suspend their payment obligations under the charter agreements for periods when the vessels are not able to transport cargo (or perform regasification or liquefaction) for various reasons. These periods, which are

also called off-hire periods, may result from, among other causes, mechanical breakdown or other accidents, the inability of the crew to operate the vessel, the arrest or other detention of the vessel as a result of a claim against us, or the cancellation of the vessel's class certification. The charters automatically terminate in the event of the loss of a vessel.

Cool Pool

In October 2015, we entered into a Pool Agreement with Dynagas Ltd., or Dynagas, GasLog Carriers Ltd., or GasLog, and a pool manager equally owned by Dynagas, GasLog and Golar, or the Pool Manager, to form a LNG carrier pooling arrangement, or the Cool Pool, to market LNG carriers (154,000-162,000 cbm) that are currently operating in the LNG shipping spot market. We refer to Dynagas, GasLog and Golar collectively as the Pool Participants. The Cool Pool allows the Pool Participants to optimize the operation of the pool vessels through improved scheduling ability, cost efficiencies and common marketing. The objective of the Cool Pool is to serve the transportation requirements of the LNG shipping market by providing customers with reliable, more flexible, and innovative solutions to meet their increasingly complex shipping requirements.

As of April 6, 2018, the Cool Pool consisted of 17 modern, high quality and essentially equivalent LNG carriers powered by fuel efficient Tri Fuel Diesel Electric propulsion technology and one FSRU operating as a LNG carrier. Dynagas, GasLog and ourselves currently contribute three vessels, five vessels, and 10 vessels (including the two owned by Golar Power), respectively, to the Cool Pool. The Pool Participants have agreed under the Pool Agreement to contribute to the Cool Pool any additional vessels with similar specifications that they acquire.

The Pool Agreement provides for the Cool Pool to focus exclusively on charters of 12 months' duration or less. Scheduling the employment of a vessel in excess of 12 months remains the mandate of the respective Pool Participant. If a pool vessel is chartered by a Pool Participant for a charter that exceeds 12 months in duration (or the Pool Participant has agreed to sell the vessel), such vessel may be withdrawn from the Cool Pool provided a minimum commitment period (described below) has passed, the Pool Participant provides 30 days' notice and such vessel generally satisfies any outstanding charter commitment.

Under the Pool Agreement, the Pool Manager is responsible, as agent, for the marketing and chartering of the participating vessels and paying other voyage costs such as port call expenses and brokers' commissions in relation to employment contracts, but each of the Pool Participants continues to be fully responsible for the financing, insurance, manning and technical management of their respective vessels. For its services, the Pool Manager receives a fee equal to 10 percent of the costs and overhead of the Cool Pool. Pool earnings (gross earnings of the pool less costs and overhead of the Cool Pool and fees to the Pool Manager) are aggregated and then allocated to the Pool Participants in accordance with the number of days each of their vessels are entered into the pool during the period.

The Pool Participants have agreed to participate in the Cool Pool for an extended minimum commitment period to October 2019. After this date, each Pool Participant may terminate its participation in the Cool Pool, provided the Pool Manager is allowed 30 days to complete any charter negotiations and such Pool Participant's vessels satisfy any charter commitments.

Golar Management

Golar Management

Golar Management, our wholly-owned subsidiary which has offices in London, Oslo, Kuala Lumpur and Split, provides commercial, operational and technical support and supervision and accounting and treasury services to our, Golar Partners' and Golar Power's vessels. In addition, under the management and administrative services agreements we have entered into with Golar Partners, Golar Power and OneLNG, certain officers and directors of Golar Management provide executive officer functions for their benefit. In addition, the administrative services provided by Golar Management include: (i) assistance in commercial management; (ii) execution of business strategies of Golar Partners, Golar Power and OneLNG; (iii) bookkeeping, audit and accounting services; (iv) legal and insurance services; (v) administrative and clerical services; (vi) banking and financial services; (vii) advisory services; (viii)

client and investor relations; and (viii) integration of any acquired business.

Golar Management is reimbursed for reasonable costs and expenses it incurs in connection with the provision of these services. In addition, Golar Management receives a management fee equal to 5% of its costs and expenses incurred in connection with providing these services. Parties may terminate the management and administrative services agreement by providing 120 days written notice.

Golar Management Norway AS ("GMN")

In September 2010, Golar Wilhelmsen was established as a joint venture between Golar and Wilhelmsen Ship Management (Norway) AS, or Wilhelmsen, and was staffed by both Wilhelmsen and Golar employees. Since September 2015, Golar Wilhelmsen has been a wholly-owned subsidiary, and thus was renamed Golar Management Norway AS (or "GMN"). The company continues to provide in-house technical, commercial and crew management services, pursuant to the management agreements mentioned above.

Our Business Strategy

Golar's vision is to break the mold in LNG. Our strategic intent is to become an integrated gas to power energy business. We aim to combine our marine expertise and innovative floating LNG assets with strong industry partnerships to provide the most competitive LNG solution to monetize natural gas reserves and deliver LNG, ship the LNG, regasify the LNG through our FSRUs, and ultimately generate and sell power from our gas-fired power stations.

Our four strategic focuses are to:

Operate a high-quality, first class LNG carrier fleet: We own and operate a fleet of high quality LNG carriers with an average age of 5.4 years. Eight of our ten carriers were delivered within the last five years and utilize fuel efficient propulsion and low boil-off technology. Our vessels are compatible with most LNG loading and receiving terminals worldwide.

- Maintain leadership in FSRUs and embed this into future power projects through our affiliate, Golar Power: We are one of the industry leaders in the development, delivery and operation of both newbuild and converted FSRUs based on a strong record of successful project delivery and highly reliable vessel operation. Our joint venture, Golar Power, is currently seeking new FSRU project and power station opportunities in addition to the building of our first integrated gas to power project at Sergipe in Brazil.

Develop new FLNG opportunities through our joint venture with Schlumberger, OneLNG: OneLNG offers resource holders an integrated solution to monetize stranded gas reserves. Our OneLNG investment proposition is built on a sound technical and commercial offering, derived from structurally lower unit capital costs and short lead times. OneLNG allows smaller resource holders, developers and customers to enter the LNG business and occupy a legitimate space alongside the largest resource holders, major oil companies and world-scale LNG buyers. For the established LNG industry participants, the prospect of OneLNG's low-cost, low-risk, fast-track solution should provide a compelling alternative to the traditional giant land-based projects - especially in a low energy price environment.

Leverage our affiliation with Golar Partners to monetize long-term midstream contracts: We believe our affiliation with Golar Partners positions us to pursue a broader array of opportunities. Since the Partnership's IPO in April 2011, we have sold six vessels to Golar Partners in exchange for consideration of \$1.9 billion. In addition to this, we shortly expect to close the sale of an interest in the Hilli (see discussion under "the Hilli Disposal"). Golar has invested a substantial portion of its sale proceeds in newbuild and asset conversion projects that are expected to generate attractive returns for the Company over the coming years. As of April 6, 2018, we have a 31.8% interest (including our 2% general partner interest) in Golar Partners and hold 100% of its IDRs.

However, we can provide no assurance that we will be able to implement our business strategies described above. For further discussion of the risks that we face, please read "Item 3. Key Information- D. Risk Factors".

The Natural Gas Industry

Predominantly used to generate electricity and as a heating source, natural gas is one of the "big three" fossil fuels that make up the vast majority of world energy consumption. As a cleaner burning fuel than both oil and coal, natural gas has become an increasingly attractive fuel source in the last decade. The moderate capital cost of gas fired power plants, the relatively high fuel efficiency and attractive pricing of gas together with its cleaner burning credentials and abundance mean that natural gas is expected to account for the largest increase in future global primary energy consumption.

According to the most recent EIA International Energy Outlook (2017), worldwide energy consumption is projected to increase by 28% from 2015 to 2040, with total energy demand in non-OECD countries increasing by 41%, compared with an increase of 9% in OECD countries. Natural gas consumption worldwide is forecast to increase by 43% between 2015 and 2040. Reduced emphasis placed on nuclear power which previously played a more prominent role in Japan and South Korea's planned energy mix or its subsequent phasing out in other countries such as Germany together with a concerted effort by China to address domestic coal induced air quality issues over the coming years will see natural gas feature more prominently as the substitution fuel of choice.

In recognition of its environmental benefits, the G20 has endorsed the role of natural gas as part of the transition to a cleaner energy mix. The lower carbon intensity of natural gas relative to coal and oil makes it an attractive fuel for the industrial and electric power sectors. Natural gas has an established presence in this sector which can be expected to increase over time. If

the market for electrically charged vehicles expands as anticipated, additional demand for electricity, and therefore gas, can also be expected. From an environmental perspective, LNG as a direct fuel for transport is also a viable emissions mitigant. Use of LNG in the automotive sector is minimal today but expected to increase over time. Relative to petroleum and other liquids, the International Gas Union, or IGU, states that use of LNG in transportation can reduce emissions of CO₂ by up to 20% whilst emissions of nitrogen oxide can be cut by up to 90% and particulate matter by up to 99%. Emissions of sulfur oxide can potentially be eliminated altogether. Increasing concern about sulfur oxide is making LNG an increasingly attractive alternative for fueling ships. A significant cut in the allowable sulfur content of fuel as directed by the International Maritime Organization becomes effective in 2020 and a variety of newbuild ships that utilize LNG as a fuel are now under construction. Engine manufacturers for buses, heavy trucks, locomotives and drilling equipment have also started building dual fuel engines that use LNG. China is leading the roll-out of LNG corridors for LNG fueled vehicles and Europe is following suit. Selected railways and heavy vehicle fleet operators in the U.S. are now using LNG as a fuel and maturing small scale LNG technology that can be used to access other isolated customers and reach new markets also represents a promising opportunity that is being pursued globally. The EIA expects that natural gas consumption for transportation will grow close to 500% between 2015 and 2040.

Natural gas accounts for approximately 25% of global energy demand according to the IGU. Of this, 10% is supplied in the form of LNG. This compares to just 4% in 1990. Countries that have natural gas demand in excess of the indigenous supply must either import natural gas through a pipeline or, alternatively, in the form of LNG aboard ships. LNG is natural gas that has been converted into its liquid state through a cooling process, which allows for efficient transportation by sea. Upon arrival at its destination, LNG is returned to its gaseous state by either an FSRU or land based regasification facilities for distribution to power stations and consumers through pipelines. The EIA expects that world LNG trade will nearly triple between 2015 and 2040.

Natural gas is an abundant fuel source, with the Oil and Gas Journal estimating that, as of January 1, 2016, worldwide proved natural gas reserves were 6,950 Tcf having grown by 40% over the past 20 years. Almost three-quarters of the world's natural gas reserves are located in the Middle East and Eurasia. Russia, Iran and Qatar accounted for 54% of the world's natural gas reserves as of January 1, 2016, and the United States, the fourth largest holder of natural gas reserves, will see an increase in production growth from 24 Tcf per annum in 2012 to 35.3 tcf per annum in 2040. Production in the Australia/New Zealand region is forecast to increase from 2.1Tcf per annum in 2012 to 7.0Tcf per annum in 2040 with the majority originating from Australia. A significant portion of the Australian volume has now entered the market. Sizeable new discoveries have also been made on the east coast of Africa in countries including Mozambique, Tanzania and Kenya. With an average growth rate of 7% since 2000, LNG supply has grown faster than any other source of gas and the IGU expect further expansion of this share going forward.

The EIA predicts a substantial increase in the production of "unconventional" natural gas, including tight gas, shale gas and coalbed methane. Shale gas production is expected to be focused on the U.S., China and Canada. Recoverable reserves of this unconventional gas are, however, variable and uncertain. Improvements in the hydraulic fracturing process used to produce this gas could result in upward revisions to existing reserves however the significant water requirements of the process together with environmental concerns could equally constrain the recoverability of many known reserves.

Although the growth in production of unconventional domestic natural gas has eliminated LNG demand in the U.S., the long-term impact of shale gas and other unconventional natural gas production on the global LNG trade is unclear. Substantial increases in the extraction of U.S. shale gas in 2008-2009 initially suppressed demand for U.S.-bound LNG and therefore shipping. Between 2010 and 2013, a number of cargoes were then redirected from the U.S. to the Far East which increased LNG ton miles and demand for LNG shipping. The advent of Australian volumes, closer to their main Far Eastern LNG markets then suppressed ton miles, reducing demand for shipping between 2014 and 2016. More recently, ton miles have begun to rise again as increasing levels of Far Eastern demand is satisfied by new

U.S. export volumes that started to deliver into the market from the end of 2016. A further 50 million tons of new liquefaction currently under construction in the U.S. is expected to deliver over the coming three years. A significant portion of this new production will likely find a home in the faster growing and more distant markets of the Middle East, India and the Far East. Ton miles and shipping demand are therefore expected to continue increasing through to the end of the decade.

Liquefied Natural Gas

Overview

The need to transport natural gas over long distances across oceans led to the development of the international LNG trade. The first shipments were made on a trial basis in 1959 between the United States and the United Kingdom, while 1964 saw the start of the first commercial-scale LNG project to ship LNG from Algeria to the United Kingdom. LNG shipping provides a cost-effective and safe means for transporting natural gas overseas. The LNG is transported overseas in specially built tanks on double-hulled ships to a receiving terminal, where it is offloaded and stored in heavily insulated tanks. In regasification facilities at the

receiving terminal, the LNG is returned to its gaseous state (or regasified) and then carried by pipeline for distribution to power stations and other natural gas customers.

The following diagram displays the flow of natural gas and LNG from production to consumption.

LNG Supply Chain

The LNG supply chain involves the following components:

Exploring and drilling: Natural gas is produced and transported via pipeline to natural gas liquefaction facilities located along the coast of the producing country. The advent of floating liquefaction also sees the gas being piped to offshore liquefaction facilities.

Production and liquefaction: Natural gas is cooled to a temperature of minus 162 degrees Celsius, transforming the gas into a liquid, which reduces its volume to approximately 1/600th of its volume in a gaseous state. The reduced volume facilitates economical storage and transportation by ship over long distances, enabling countries with limited natural gas reserves, and limited access to long-distance transmission pipelines or concerns over security of supply to meet their demand for natural gas.

Shipping: LNG is loaded onto specially designed, double-hulled LNG carriers and transported overseas from the liquefaction facility to the receiving terminal.

Regasification: At the receiving terminal (either onshore or aboard specialized LNG carriers called Floating Storage and Regasification Units “FSRU”s), the LNG is returned to its gaseous state, or regasified.

Storage, distribution, marketing & power generation: Once regasified, the natural gas is stored in specially designed facilities or transported to power producers and natural gas consumers via pipelines.

The basic costs of producing, liquefying, transporting and regasifying LNG are much higher than in an equivalent oil supply chain. This high unit cost of supply has, in the recent past, led to the pursuit of ever-larger land based facilities in order to achieve improved economies of scale. In many recent cases, even these large projects have cost substantially more than anticipated. To address the escalating costs, more cost competitive floating liquefaction solutions across a spectrum of project sizes have been developed by a handful of oil majors and also by Golar. Many previously uneconomic pockets of gas can now be monetized and this will add to reserves and further underpin the long term attractiveness of gas. Golar’s FLNG solution, which focuses on the liquefaction of clean, lean, pipeline quality gas, is expected to be one of the cheapest liquefaction alternatives in today’s market. As such, it represents one of the only solutions to have remained economically viable following the substantial drop in oil and LNG prices that commenced in October 2014. FLNG allows smaller resource holders, developers and customers to enter the LNG business and occupy a legitimate space alongside the largest resource holders, major oil companies and world-scale LNG buyers. For the established LNG industry participants, the prospect of the lower unit costs and lower risk profile of Golar’s FLNG solution provide an important and compelling alternative to the traditional giant land based projects especially in this current energy price environment.

According to Poten and Partners, LNG liquefaction produced 103 million tonnes per annum of LNG in 2000. This increased to around 293 million tonnes per annum by 2017 according to Shell. Approximately 85 million tonnes per annum of new LNG production capacity is expected to come into operation between 2017 and 2020. Based on current trading patterns and ton miles and assuming retirement of vessels 35 years or older, the order book of approximately

100 conventional LNG carriers together with the current surplus of carriers on the water is anticipated to be insufficient to carry this new expected production.

The LNG Fleet

As at March 2, 2018, the world LNG carrier fleet consisted of 527 LNG vessels (including 28 FSRUs, 36 vessels less than 46,000 cbm, 6 floating storage units, or FSUs and 4 floating liquefaction or FLNG units). There were also orders for 121 new LNG carriers (including 10 FSRUs, 11 vessels less than 46,000 cbm, 1 FSU and 1 FLNG unit), the majority of which will be delivered between now and 2019.

The LNG carriers on order define the next generation of employable carriers in regards to size and propulsion. The current "standard" size for LNG carriers has increased substantially since the 1970s, while propulsion preference has shifted from a steam turbine to the more fuel efficient Dual/Trifuel Diesel Electric or M-type, Electronically-controlled Gas Injection systems.

While there are a number of different types of LNG vessel and "containment system", there are two dominant containment systems in use today:

The Moss system was developed in the 1970s and uses free standing insulated spherical tanks supported at the equator by a continuous cylindrical skirt. In this system, the tank and the hull of the vessel are two separate structures. The Membrane system uses insulation built directly into the hull of the vessel, along with a membrane covering inside the tanks to maintain their integrity. In this system, the ship's hull directly supports the pressure of the LNG cargo. The membrane system most efficiently utilizes the entire volume of a ship's hull, and is cheaper to build. Most of our LNG carriers are of the membrane type.

Illustrations of these systems are included below:

Most newbuilds on order employ the membrane containment system because it most efficiently utilizes the entire volume of a ship's hull, is cheaper to build and has historically been more cost effective for canal transits. In general, the construction period for an LNG carrier is approximately 28-34 months.

Seasonality

Historically, LNG trade, and therefore charter rates, increased in the winter months and eased in the summer months as demand for LNG for heating in the Northern Hemisphere rose in colder weather and fell in warmer weather. In general, the tanker industry including the LNG vessel industry, has become less dependent on the seasonal transport of LNG than a decade ago. The advent of FSRUs has opened up new markets and uses for LNG, spreading consumption more evenly over the year. There is a higher seasonal demand during the summer months due to energy requirements for air conditioning in some markets or reduced availability of hydro power in others and a pronounced higher seasonal demand during the winter months for heating in other markets. Autumn and particularly spring tend to be weaker periods for LNG carrier rates relative to winter and summer.

Floating LNG Regasification

Floating LNG Storage and Regasification Vessels

Floating LNG storage and regasification vessels are commonly known as FSRUs. The figure below depicts a typical FSRU.

The FSRU regasification process involves the vaporization of LNG and pressurizing and injection of the natural gas directly into a pipeline. In order to regasify LNG, FSRUs are equipped with vaporizer systems that can operate in an open-loop mode, a closed-loop mode, or in both modes. In the open-loop mode, seawater is pumped through the system to provide the heat necessary to convert the LNG to the vapor phase. In the closed-loop system, a natural gas-fired boiler is used to heat water that is circulated in a closed-loop through the vaporizer and a steam heater to convert the LNG to the vapor phase. In general, FSRUs can be divided into four subcategories:

- FSRUs that are permanently located offshore;
- FSRUs that are permanently near shore and attached to a jetty (with LNG transfer being either directly ship to ship or over a jetty);
- shuttle carriers that regasify and discharge their cargoes offshore; and
- shuttle carriers that regasify and discharge their cargoes alongside.

Our business model to date has been focused on FSRUs that are permanently moored offshore or near shore and provide continuous regasification service.

Demand for Floating LNG Regasification Facilities

The long-term outlook for global natural gas supply and demand has stimulated growth in LNG production and trade, which is expected to drive a necessary expansion of regasification infrastructure. While worldwide regasification capacity still exceeds worldwide liquefaction capacity, a large portion of the existing global regasification capacity is concentrated in a few markets such as Japan, Korea and Taiwan, or is in the wrong place. Domestic production of shale gas and the advent of U.S. LNG exports mean that substantial U.S. Gulf Coast regasification capacity is no longer required. Much of the European regas capacity is also underutilized. In China, now the world's second largest market for LNG, there has been a shortage of regas capacity and demand for regasified LNG exceeded land based regas capacity at the end of 2017. Elsewhere there is significant demand for regasification infrastructure in other Asian markets, the Middle-East and Central/South America as well as in Africa and the Caribbean. We believe that the advantages of FSRUs compared to onshore facilities, as detailed in the paragraphs below, make them highly competitive in these markets. In Asia, the Middle East, Caribbean and South America most new regasification projects utilize an FSRU.

Floating LNG regasification projects first emerged as a solution to the difficulties and protracted process of obtaining permits to build shore-based LNG reception facilities (especially along the North American coasts). Due to their offshore location,

FSRU facilities are significantly less likely than onshore facilities to be met with resistance in local communities, which is especially important in the case of a facility that is intended to serve a highly populated area where there is a high demand for natural gas. As a result, it is typically easier and faster for FSRUs to obtain necessary permits than for comparable onshore facilities. More recently, cost and time have become the main drivers behind the growing interest in the various types of floating LNG regasification projects. FSRU projects can typically be completed in less time (2 to 3 years compared to 4 or more years for land based projects) and at a significantly lower cost (20-50% less) than land based alternatives.

FSRU Golar Eskimo moored off the port of Aqaba in Jordan

In addition, FSRUs offer a more flexible solution than land based terminals. They can be used as an LNG carrier, a regasification shuttle vessel or permanently moored as an FSRU. FSRUs can be used on a seasonal basis, as a short-term (1-2 year) regasification solution or as a long-term solution for up to 40 years. FSRUs offer a fast track regasification solution for markets that need immediate access to LNG supply. FSRUs can also be utilized as bridging solutions until a land-based terminal is constructed. In this way, FSRUs are both a replacement for, and complement to, land-based regasification alternatives.

Floating LNG Regasification Vessel Fleet Size and Ownership

Compared to onshore terminals, the floating LNG regasification industry is fairly young. There are a limited number of companies, including Golar as well as Exmar, Excelerate Energy L.P., Hoegh LNG ASA, BW Gas and Mitsui O.S.K. Lines that are operating FSRU terminals for LNG importers around the world. Golar was the first company to enter into an agreement for the long-term employment of an FSRU based on the conversion of an existing LNG carrier.

Competition - LNG Carriers and FSRUs

As the FSRU market continues to grow and mature there are new competitors entering the market. In some cases, project developers have also ordered FSRUs without involving a third party provider. Expectations of rapid growth in the FSRU market has given owners the confidence to place orders for FSRUs before securing charters. This has led to more competition for mid and long-term FSRU charters. Competition for these long-term charters is based primarily on price, LNG storage capacity, efficiency of the regasification process, vessel availability, size, age and condition of the vessel, relationships with LNG carrier users and the quality, LNG experience and reputation of the operator.

More recently it has been noted that an increasing number of emerging markets for LNG require smaller volumes on more flexible terms. Demand growth within these markets is also subject to higher levels of uncertainty. A large industrial user or small utility may represent initial anchor demand for a FSRU with the expectation that new end users will cluster around the anchor customer or that other users nearby will switch from more expensive fuels to take advantage of an FSRU's underutilized regas capacity over time. A FSRU that provides for small scale offloading also allows for other less proximate demand to be met. Excess capacity that will never be utilized on larger and more expensive newbuild FSRUs undermines this business model. As the only market participant with a proven low cost conversion model, suitable available conversion candidates and existing FSRU assets, Golar is in a good position to capitalize on this mid-size FSRU market.

We believe that, together with our affiliates, Golar Partners and Golar Power, we are one of the world's largest independent LNG carrier and FSRU owners and operators. As of April 6, 2018, we, together with our affiliates Golar Partners and Golar Power have a fleet of 26 vessels comprised of 16 LNG carriers, seven FSRUs, one FLNG and two FLNG conversion candidates. Our

LNG carrier newbuildings have storage capacity of approximately 160,000 cbm to 162,000 cbm; a 0.1% boil-off rate; tri-fuel engines; and are capable of charter speeds of up to 19.5 knots. Our newbuild FSRUs range in capacity from 160,000 cbm to 170,000 cbm and can provide regasification throughput of up to 750 thousand cubic feet per day (or 5.8 million tonnes per annum). The FSRUs can, subject to the customer's requirements, remain classified as an LNG carrier, flexible for LNG carrier service, or be classified as an offshore unit, remaining permanently moored at site for a long contract duration without the requirement for periodic dry docking.

We compete with other independent shipping companies who also own and operate LNG carriers. Additionally, some of the major oil and gas producers, including Royal Dutch Shell and BP own LNG carriers. National gas and shipping companies also have large fleets of LNG vessels that have expanded and will likely continue to expand. These include Malaysian International Shipping Company, or MISC, National Gas Shipping Company located in Abu Dhabi and Qatar Gas Transport Company, or Nakilat.

Floating Liquefaction Vessels

FLNG Hilli Episeyo shortly before departure from Singapore

Golar's floating liquefaction strategy is to target stranded reserves (such as coal bed methane and shale gas or lean gas sourced from offshore fields) and convert this to LNG. These feed gas streams require little to no gas processing prior to liquefaction. Golar's liquefaction solution places proven onshore technology on board an existing LNG carrier using a rapid low-cost execution model resulting in a vessel conversion time of approximately three years. In 2014 Golar executed agreements with Keppel and Black & Veatch for the conversion of the LNG carrier Hilli to an FLNG vessel at Keppel's shipyard in Singapore. FLNG Hilli has a production capacity of up to 2.5 million tonnes per annum and on board storage of approximately 125,000 cubic meters of LNG. The FLNG Hilli delivered from Keppel's shipyard in October 2017 and proceeded to Cameroon, arriving in late November 2017. Commissioning of the vessel commenced in December 2017 and production of LNG began in mid-March 2018. We expect acceptance testing procedures to commence shortly. After customer acceptance, Golar expects to close the sale of an initial equity interest in the vessel to Golar Partners. Hilli is the world's first FLNG vessel based on a converted LNG carrier and one of only four FLNG vessels globally.

OneLNG - Golar/Schlumberger FLNG Joint Venture

In July 2016, we formed OneLNG with Schlumberger. OneLNG is intended to offer an integrated upstream and midstream solution for the monetization of stranded gas reserves and the conversion of natural gas to LNG. The combination of Schlumberger's high quality reservoir analysis, infrastructure engineering and sub-sea development together with Golar's FLNG and LNG midstream experience delivers a unique offering to the market.

OneLNG is now staffed and working on several projects around the world. One of these is the Fortuna Project in Equatorial Guinea. This project includes Schlumberger's sub-sea development connecting directly to a FLNG vessel that should enable OneLNG, together with the Government of Equatorial Guinea and Ophir Energy Plc., to deliver first gas in 2021. The project involves the formation of a JOC and, in the event of a final investment decision, it is expected that Ophir will contribute their share of Equatorial Guinea's Block R license, projected to be equivalent to approximately 2.2-2.5 million tons per annum of LNG production over 15-20 years. Similar opportunities to this, as well as pure tolling based projects analogous to the FLNG Hilli contract, are being considered elsewhere. Some of these opportunities require more than one FLNG vessel.

Hilli Conversion Contract

The primary contract for the Hilli conversion was entered into with Keppel during mid-2014. Keppel simultaneously entered into a sub-contract with global engineering, procurement and construction company, Black & Veatch, who provided their licensed PRICO® technology, performed detailed engineering and process design, specified and procured topside equipment and provided commissioning support for Golar's topsides and liquefaction process.

Following execution of the above contract, Golar entered into negotiations with a wholly-owned subsidiary of Keppel for their purchase of a 10% non-controlling interest in a subsidiary which owns the Hilli. Both a share purchase and sale agreement and a shareholders agreement were negotiated and the agreements were executed and the transactions closed in early September 2014. During November 2014, Golar also executed agreements with Black & Veatch International Company, a subsidiary of Black & Veatch, for a further 0.9% non-controlling interest in the same subsidiary.

Gimi and Gandria Conversion Contracts

We have entered into definitive contracts with Keppel and Black & Veatch for the conversion of the Gimi and the Gandria into FLNGs, subject to certain conditions to the contracts' effectiveness and issuance of notices to proceed with the conversions. These agreements are similar to the agreements that we entered into with respect to the Hilli conversion.

The Gandria contract was subsequently extended to June 29, 2018 and the Gimi contract was extended to December 30, 2018. Effectiveness of each remains subject to issuance of a final notice to proceed. As previously discussed, the Gandria entered Keppel's shipyard in Singapore in March 2018 to commence generic work in readiness for her conversion into a FLNG, which is expected to commence after we issue a notice to proceed under the conversion contract entered into with Keppel and Black & Veatch.

Customers

During the year ended December 31, 2017, we received the majority of our revenues from the Cool Pool.

In 2017, we had up to nine vessels operating in the Cool Pool. Our revenues from these vessels were \$106.3 million (91% of our total time and voyage charter revenues), \$51.1 million and \$6.0 million for the years ended December 31,

2017, 2016 and 2015, respectively.

Vessel Maintenance

We are focused on operating and maintaining our vessels to the highest safety and industry standards and at the same time maximizing revenue from each vessel. It is our policy to have our crews perform planned maintenance on our vessels while underway, to reduce time required for repairs during dry-docking. This reduces the overall off-hire period required for dockings and repairs. Since we generally do not earn hire from a vessel while it is dry-docking we believe that the additional revenue earned from reduced off-hire periods outweighs the expense of the additional crew members or subcontractors.

Risk of Loss, Insurance and Risk Management

The operation of any vessel, including LNG carriers and FSRUs, has inherent risks. These risks include mechanical failure, personal injury, collision, property loss, vessel or cargo loss or damage and business interruption due to political circumstances in foreign countries and/or war risk situations or hostilities. In addition, there is always an inherent possibility of marine disaster, including explosion, spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. We believe that our present insurance coverage is adequate to protect us against the accident related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage consistent with standard industry practice. However, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

We have obtained hull and machinery insurance on all our vessels against marine and war risks, which include the risks of damage to our vessels, salvage or towing costs, and also insure against actual or constructive total loss of any of our vessels. However, our insurance policies contain deductible amounts for which we will be responsible. We have also arranged additional total loss coverage for each vessel. This coverage, which is called hull interest and freight interest coverage, provides us additional coverage in the event of the total loss of a vessel.

We have also obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer will pay us the daily rate agreed in respect of each vessel for each day, in excess of a certain number of deductible days, for the time that the vessel is out of service as a result of damage. The maximum coverage varies from 180 days to 360 days, depending on the vessel. The number of deductible days varies from 14 days to 60 days, depending on the vessel and type of damage; machinery or hull damage.

Protection and indemnity insurance, which covers our third-party legal liabilities in connection with our shipping activities, is provided by mutual protection and indemnity associations, or P&I clubs. This includes third-party liability and other expenses related to the injury or death of crew members, passengers and other third-party persons, loss or damage to cargo, claims arising from collisions with other vessels or from contact with jetties or wharves and other damage to other third-party property, including pollution arising from oil or other substances, and other related costs, including wreck removal. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for Hilli pollution is \$250 million per incident and \$1 billion per vessel per incident for all other vessels. The thirteen P&I clubs that comprise the International Group of Protection and Indemnity Clubs insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each P&I club has capped its exposure in this pooling agreement so that the maximum claim covered by the pool and its reinsurance would be approximately \$5.45 billion per accident or occurrence. We are a member of Gard and Skuld P&I Clubs. As a member of these P&I clubs, we are subject to a call for additional premiums based on the clubs' claims record, as well as the claims record of all other members of the P&I clubs comprising the International Group. However, our P&I clubs have reinsured the risk of additional premium calls to limit our additional exposure. This reinsurance is subject to a cap, and there is the risk that the full amount of the additional call would not be covered by this reinsurance.

The insurers providing the Hull and Machinery, Hull and Cargo interests, Protection and Indemnity and Loss of Hire insurances have confirmed that they will consider FSRUs as vessels for the purpose of providing insurance. For the FSRUs we have also arranged an additional Comprehensive General Liability insurance. This type of insurance is common for offshore operations and is additional to the P&I insurance.

We will use in our operations our thorough risk management program that includes, among other things, computer-aided risk analysis tools, maintenance and assessment programs, a seafarers' competence training program, seafarers' workshops and membership in emergency response organizations. We expect to benefit from our commitment to safety and environmental protection as certain of our subsidiaries assist us in managing our vessel operations. GMN, received its ISO 9001 certification in April 2011, and is certified in accordance with the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM, on a fully integrated basis.

Inspection by Classification Societies

Every large, commercial seagoing vessel must be "classed" by a classification society. A classification society certifies that a vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required

by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

Generally FSRUs are "classed" as LNG carriers with the additional class notation REGAS-2 signifying that the regasification installations are designed and approved for continuous operation. The reference to "vessels" in the following three paragraphs, also applies to FSRUs.

For maintenance of the class certificate, regular and special surveys of hull, machinery, including the electrical plant and any special equipment classed, are required to be performed by the classification society, to ensure continuing compliance. Vessels are drydocked at least once during a five-year class cycle for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "condition of class" which must be rectified by the ship owner within prescribed time limits. The classification society also undertakes on request of the flag state other surveys and checks that are required by the regulations and requirements of that flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society, which is a member of the International Association of Classification Societies. Golar Arctic, Golar Frost and Golar Bear are certified by American Bureau of Shipping and all our other vessels are certified by Det Norske Veritas. Both societies are members of the International Association of Classification Societies. All of our vessels have been awarded ISM certification and are currently "in class" other than two LNG carriers, the Gimi and the Gandria, with the Gimi currently layed up and scheduled to be converted into a FLNG by Keppel and the Gandria recently removed from lay-up and delivered to Keppel's shipyard in Singapore to commence generic work in readiness for her conversion into a FLNG.

In-House Inspections

GMN carries out inspections of the vessels on a regular basis; both at sea and when the vessels are in port, while we carry out inspection and vessel audits to verify conformity with the manager's reports. The results of these inspections result in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, safety and crew welfare. Based in part on these evaluations, we create and implement a program of continual maintenance for our vessels and their systems.

Environmental and Other Regulations

General

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard ("USCG"), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates

and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

It should be noted that the U.S. is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding environmental regulations, specifically targeting the U.S. offshore energy strategy, which may affect parts of the maritime industry and our operations. Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

We believe that GMN is operating in compliance with the International Standards Organization, or ISO, Environmental Standard for the management of the significant environmental aspects associated with the ownership and operation of a fleet of LNG carriers. GMN received its ISO 9001 certification (quality management systems) in April 2011 and the ISO 14001 Environmental Standard during summer 2012. This certification requires that GMN commit managerial resources to act on our environmental policy through an effective management system.

International Maritime Organization

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," adopted the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LPG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

Vessels that transport gas, including LNG carriers and FSRUs, are also subject to regulation under the International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk, or the IGC Code, published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. The completely revised and updated IGC Code entered into force in 2016, and the amendments were developed following a comprehensive five-year review and are intended to take into account the latest advances in science and technology. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases in Bulk. Non-compliance with the IGC Code or other applicable IMO regulations may subject a shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. We believe that each of our vessels is in compliance with the IGC Code and each of our new buildings/conversion contracts requires that the vessel receive certification that it is in compliance with applicable regulations before it is delivered.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of

volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of “volatile organic compounds” from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The IMO's Marine Environmental Protection Committee ("MEPC"), adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from the current 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. This subjects ocean-going vessels in these areas to stringent emissions controls, and may cause us to incur additional costs.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ("ECAs"). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1%. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI is effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection commencing on January 1, 2019.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans ("SEEMPS"), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index. Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Safety Management System Requirements

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the “LLMC”) sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that all of our vessels are in substantial compliance with SOLAS and LL Convention standards. Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel’s management with the ISM Code requirements for a safety management system. No

vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained applicable documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers (GBS Standards). Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast Water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention (IOPP) renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D2 standard on or after September 8, 2019. For most ships, compliance with the D2 standard will involve installing

on-board systems to treat ballast water and eliminate unwanted organisms. Under the requirements of the BWM Convention installation of ballast water treatments, BWT systems will be needed on all our LNG Carriers. As long as our FSRUs are operating as FSRUs and kept stationary they will not need installation of a BWT system. Ballast water treatment technologies are now becoming more mature, although the various technologies are still developing. The additional costs of complying with these rules, relating to certain of our older vessels are estimated to be in the range of between \$2 million and \$3 million per vessel and will be phased in over time in connection with the renewal surveys that are required.

Once mid-ocean ballast exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost compliance could increase for ocean carriers and may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. The costs of compliance with a mandatory mid-ocean ballast exchange could be material, and it is difficult to predict the overall impact of such a requirement on our operations.

Anti Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti fouling Systems on Ships, or the “Anti fouling Convention.” The Anti fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti fouling System Certificate is issued for the first time; and subsequent surveys when the anti fouling systems are altered or replaced. We have obtained Anti fouling System Certificates for all of our vessels that are subject to the Anti fouling Convention.

Compliance Enforcement

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

United States Regulations

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 (“OPA”) established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all “owners and operators” whose vessels trade or operate with the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.’s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define “owner and operator” in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are “responsible parties” and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and,
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of \$1,100 per gross ton or \$939,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We plan to comply with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

The 2010 Deepwater Horizon oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including the raising of liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, the status of several of these initiatives and regulations is currently in flux. For example, the U.S. Bureau of Safety and Environmental Enforcement ("BSEE") announced a new Well Control Rule in April 2016, but pursuant to orders by the U.S. President in early 2017, the BSEE announced in August 2017 that this rule would be revised. In January 2018, the U.S. President proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling, vastly expanding the U.S. waters that are available for such activity over the next five years. The effects of the proposal are currently unknown. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

Other United States Environmental Initiatives

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA requires states to adopt State Implementation Plans, or SIPs, some of which regulate emissions resulting from vessel loading and unloading operations which may affect our vessels.

The U.S. Clean Water Act (“CWA”) prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA requires a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels (the “VGP”). On March 28, 2013, the EPA re-issued the VGP for another five years from the effective date of December 19, 2013. The 2013 VGP focuses on authorizing discharges incidental to operations of commercial vessels, and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust

gas scrubbers, and requirements for the use of environmentally acceptable lubricants. For a new vessel delivered to an owner or operator after December 19, 2013 to be covered by the VGP, the owner must submit a Notice of Intent (“NOI”) at least 30 days (or 7 days for eNOIs) before the vessel operates in United States waters. We have submitted NOIs for our vessels where required.

The USCG regulations adopted under the U.S. National Invasive Species Act (“NISA”) impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters, which require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures, and/or may otherwise restrict our vessels from entering U.S. waters. The USCG has implemented revised regulations on ballast water management by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. As of January 1, 2014, vessels were technically subject to the phasing-in of these standards, and the USCG must approve any technology before it is placed on a vessel. The USCG first approved said technology in December 2016, and continues to review ballast water management systems. The USCG may also provide waivers to vessels that demonstrate why they cannot install the new technology. The USCG has set up requirements for ships constructed before December 1, 2013 with ballast tanks trading within the exclusive economic zones of the U.S. to install water ballast treatment systems as follows: (1) ballast capacity 1,500-5,000m³-first scheduled drydock after January 1, 2014; and (2) ballast capacity above 5,000m³-first scheduled drydock after January 1, 2016. All of our vessels have ballast capacities over 5,000m³, and those of our vessels trading in the U.S. will have to install water ballast treatment plants at their first drydock after January 1, 2016, unless an extension is granted by the USCG.

The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers. In addition, through the CWA certification provisions that allow U.S. states to place additional conditions on the use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast requirements including, in some states, specific treatment standards. Compliance with the EPA, USCG and state regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

Two recent United States court decisions should be noted. First, in October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that the 2013 VGP will remain in effect until the EPA issues a new VGP. The effect of such redrafting remains unknown. Second, on October 9, 2015, the Sixth Circuit Court of Appeals stayed the Waters of the United States (“WOTUS”) rule, which aimed to expand the regulatory definition of “waters of the United States,” pending further action of the court. In response, regulations have continued to be implemented as they were prior to the stay on a case-by-case basis. In February 2017, the U.S. President issued an executive order directing the EPA and U.S. Army Corps of Engineers to publish a proposed rule rescinding or revising the WOTUS rule. In January 2018, the Supreme Court held that the federal district courts, not the appellate courts, have jurisdiction to hear challenges to the WOTUS rule. Also in January 2018, the EPA and Army Corps of Engineers issued a final rule pursuant to the President’s order, under which the Agencies will interpret the term “waters of the United States” to mean waters covered by the regulations, as they are currently being implemented, within the context of the Supreme Court decisions and agency guidance documents, until February 6, 2020. Litigation regarding the status of the WOTUS rule is currently underway, and the effect of future actions in these cases upon our operations is unknown.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually starting on January 1, 2018, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification

societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in EU ports.

International Labour Organization

The International Labor Organization (the “ILO”) is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 (“MLC 2006”). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. On June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement. The timing and effect of such action has yet to be determined, but the Paris Agreement provides for a four-year exit process.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, an initial IMO strategy for reduction of greenhouse gas emissions is expected to be adopted at MEPC 72 in April 2018. The IMO may implement market-based mechanisms to reduce greenhouse gas emissions from ships at the upcoming MEPC session.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol’s second period from 2013 to 2020. Starting in January 2018, large ships calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA’s plan to cut greenhouse gas emissions. In response to that order, on October 16, 2017, the EPA proposed to repeal the Clean Power Plan, its first standards on carbon dioxide emissions from power plants. On December 28, 2017, the EPA published an Advance Notice of Proposed Rulemaking outlining its plans to replace the Clean Power Plan if the repeal moves forward. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, the EPA or individual U.S. states could enact environmental regulations that would affect our operations. For example, California has introduced a cap-and-trade program for greenhouse gas emissions, aiming to reduce emissions 40% by 2030.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or more intense weather events.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 (“MTSA”). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facilities Security Code (“the ISPS Code”). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate (“ISSC”) from a recognized security organization approved by the vessel’s flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The following are among the various requirements, some of which are found in the SOLAS Convention:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship’s identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel’s hull;
- a continuous synopsis record kept onboard showing a vessel’s history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship’s identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

The USCG regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel’s compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code. GMN has developed Security Plans, appointed and trained Ship and Office Security Officers and each of our vessels in our fleet complies with the requirements of the ISPS Code, SOLAS and the MTSA.

Vessel Safety Regulations

The Maritime Safety Committee adopted paragraph 5 of SOLAS regulation III/1 to require lifeboat on-load release mechanisms not complying with new International Life-Saving Appliances, or LSA Code requirements to be replaced no later than the first scheduled dry-docking of the ship after 1 July 2014 but, in any case, not later than 1 July 2019. The SOLAS amendment, which entered into force on 1 January 2013, is intended to establish new, stricter, safety standards for lifeboat release and retrieval systems, aimed at preventing accidents during lifeboat launching, and will require the assessment and possible replacement of a large number of lifeboat release hooks.

All our vessels that were docked in or after 2014 had the lifeboat release and retrieval systems overhauled and modified where found necessary.

According to SOLAS Ch V/19.2.10, all vessels shall have an Electronic Chart Display and Information Systems, or ECDIS, installed in the period from 2012 to 2018. Our LNG vessels must have approved ECDIS fitted no later than the first survey on or after July 1, 2015. All our vessels now have an ECDIS installed and our Officers have been sent to specific training courses.

C. Organizational Structure

For a full list of our subsidiaries, please see Exhibit 8.1 to this annual report and note 4 "Subsidiaries" of our Consolidated Financial Statements included herein. All of our subsidiaries are, directly or indirectly, wholly-owned by us except for Hilli Corp, which is 89% owned by us with the remaining 11% held by third party entities.

D. Property, Plant and Equipment

For information on our fleet, please see the section of this item entitled "Fleet".

We do not own any interest in real property. We lease approximately 7,000 square feet of office space in London, 32,000 square feet of sublet office space in Oslo, for our ship management operations, 1,600 square feet of office space in Malaysia, 4,700 square feet of office space in Croatia and approximately 1,300 square feet of office space in Bermuda.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the sections of this Annual Report entitled "Item 4. Information on the Company" and our audited financial statements and notes thereto, included herein. Our financial statements have been prepared in accordance with U.S. GAAP. This discussion includes forward-looking statements based on assumptions about our future business. You should also review the section of this Annual Report entitled "Cautionary Statement Regarding Forward Looking Statements" and "Item 3. Key Information-D. Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by certain forward-looking statements.

Overview and Background

Please see "Item 4. Information on the Company" for further details.

Market Overview and Trends

Historically, spot and short-term charter hire rates for LNG carriers have been uncertain, which reflects the variability in the supply and demand for LNG carriers. The industry has not, however, experienced a structural surplus of LNG carriers since the 1980s with fluctuations in rates and utilization over the intervening decades reflecting short-term timing disconnects between the delivery of new vessels and delivery of the new LNG they were ordered to transport. During the last cycle, an excess of LNG carriers first became evident in 2004, before reaching a peak in the second quarter of 2010, when spot and short term charter hire rates together with utilization reached near historic lows. Due to a lack of newbuild orders placed between 2008 and 2010, this trend then reversed from the third quarter of 2010 such that the demand for LNG shipping was not being met by available supply in 2011 and the first half of 2012. Spot and short-medium term charter hire rates together with fleet utilization reached historic highs in 2012. During 2013, hire rates and utilization slowly declined from these all-time highs reaching an equilibrium around the third quarter of 2013 when the supply and demand of vessels was broadly in alignment. From late 2013, the pace of newbuild LNG carrier deliveries outstripped the supply of new LNG liquefaction, with the supply of LNG carriers exceeding shipping requirements throughout 2014, 2015 and 2016. Historically low charter rates and levels of utilization were recorded in early 2016 and rates and utilization levels remained subdued through to the first half of 2017 despite new Australian volumes. Thereafter, the anticipated arrival and ramp up of new U.S. LNG volumes and an associated increase in ton miles began to absorb the built-up surplus of LNG carriers. It is anticipated that the market will reach an equilibrium position during the second half of 2018 and then be short of LNG carriers from late 2019 provided there are no significant unplanned outages at existing liquefaction facilities as a result of geopolitical or other unexpected events.

There are significantly fewer FSRUs than LNG carriers however their market has grown from zero in 2005 to 28 in operation or available for hire as of March 2, 2018. There are also 10 FSRUs currently on order. Plentiful supply of cheap LNG has encouraged continued growth in demand for FSRUs and we expect this to continue. However, the number of competitors for FSRU business has increased and is expected to continue to increase which will have a negative impact on margins.

Having dropped to around \$27 per barrel early in 2016, Brent Crude spot prices have since recovered and stabilized at levels between \$60 and \$65 per barrel. Natural gas prices have also recovered. Although significant additional LNG supply over the coming three years may result in a another "decoupling" of LNG prices from oil, demand for LNG, particularly as a result of faster than expected coal-to-gas switching by China, has surprised to the

upside and been supportive of LNG prices. An increasing portion of the new demand for LNG from Far Eastern markets is being satisfied by new U.S. supply. This has resulted in an increase in ton miles, vessel utilization and hire rates and the trend is expected to continue. The arrival of substantial volumes of new LNG over the next three years is expected to reflect positively on the shipping market and remain supportive of the FSRU business. Continued strong LNG demand growth that matches this supply is also expected. Should demand not be sustained, falling LNG prices could negatively impact new investment decisions for large-scale LNG liquefaction projects. While potentially a positive catalyst for cost competitive liquefaction solutions including floating liquefaction, this has potentially negative long-term consequences both for LNG carrier and FSRU demand. Any sustained decline in the delivery of new LNG volumes, chartering activity and charter rates could also adversely affect the market value of our vessels on which certain of the ratios and financial covenants we are required to comply with in our credit facilities are based.

Please see the section of this Annual Report entitled "Item 4. Information on the Company-B. Business Overview-The Natural Gas Industry" for further discussion of the LNG market.

Factors Affecting the Comparability of Future Results

Our historical results of operations and cash flows are not necessarily indicative of results of operations and cash flows to be expected in the future, principally for the following reasons:

For periods when vessels are in lay-up or under conversion, vessel operating and voyage costs will be lower. The Hilli and the Gandria were both placed in lay-up in April 2013. The Hilli and the Gandria were delivered to Keppel's shipyard in September 2014 and March 2018, respectively, to commence their conversions into FLNGs. The Hilli completed her conversion in October 2017 and is currently undergoing commissioning in Cameroon. We expect acceptance testing procedures to commence shortly. The Gandria remains in Keppel's shipyard where generic work has commenced in readiness for her conversion into a FLNG. The Viking was placed in lay-up in December 2015 and, in February 2018, she was reactivated and entered into the spot market. The Gimi was placed in lay-up in January 2014 and is currently still in lay-up, but has been earmarked for use in our FLNG vessel conversion projects, pending lodgment of their final notices to proceed. We receive no revenues for vessels while they are in lay-up or being converted, but we benefit from lower vessel operating costs, principally from reduced crew on board, and minimal maintenance requirements and voyage costs.

Our results will be dependent in part on the performance of the Cool Pool. In October 2015, we, along with GasLog and Dynagas, established the Cool Pool to market our LNG carriers which are currently operating in the LNG shipping spot market. As of April 6, 2018, we had contributed eight (2017: eight) of the 18 vessels to the pool. Each of the vessel owners continues to be responsible for the manning and the technical management of its respective vessels. Our share of the net pool revenues will be dependent upon the performance of the Pool Manager in securing employment and negotiating rates for all of the pool vessels.

We, or our consolidated entities, may enter into different financing arrangements. Our current financing arrangements may not be representative of the arrangements we will enter into in the future. For example, we may amend our existing credit facilities or enter into other financing arrangements, which may be more expensive. In addition, by virtue of the sale and leaseback transactions we have entered into with certain lessor VIEs, where we are deemed to be the primary beneficiary of the VIEs, we are required to consolidate these VIEs into our results. Although consolidated into our results, we have no control over the funding arrangements negotiated by these lessor VIEs such as interest rates, maturity and repayment profiles. For additional detail refer to note 5 "Variable Interest Entities" of our Consolidated Financial Statements included herein. As of December 31, 2017, we consolidated lessor VIEs in connection with the lease financing transactions for seven of our vessels. For descriptions of our current financing arrangements, please see note 23 "Debt" of our Consolidated Financial Statements included herein.

The costs of our projects may change. We are continuing to invest in and develop our various projects, such as FLNG conversion. The costs we have incurred historically for our projects may not be indicative of future costs.

Our results are affected by fluctuations in the fair value of our derivative instruments. The change in fair value of our derivative instruments is included in our net income. These changes may fluctuate significantly as interest rates, the price of our common shares or the price of commodities fluctuate. This includes changes in the fair value of the Hilli LTA embedded derivative. Our Total Return Swap has a credit arrangement, whereby we are required to provide cash collateral on the initial acquisition price and to subsequently post additional cash collateral that corresponds to any further unrealized loss.

•

Gains or losses from the disposal or deemed disposals of our investments accounted for under the equity method. In January 2015, we disposed of 7.2 million of our common units in Golar Partners and recognized a gain on disposal of \$32.6 million. In addition we recognize a gain or loss on deemed disposals in our affiliates, where we suffer a dilution in our ownership interest when our investee issues additional equity interest which we do not participate. In 2017, we recognized a \$17.0 million loss in connection with Golar Partners' capital transactions.

Deconsolidation of Golar Power from July 2016. Pursuant to the disposal of a 50% ownership interest in Golar Power to Stonepeak in July 2016, Golar Power was deconsolidated by Golar. A summary of the key significant changes impacting the income statement that occurred in 2016, when compared to historic periods, as a consequence of the deconsolidation, include:

A decrease in operating income and individual line items therein, specifically relating to the two trading LNG carriers, the Golar Celsius and the Golar Penguin that were operating in the Cool Pool.

On deconsolidation of Golar Power in July 2016, we recognized a loss on loss of control of \$8.5 million.

Equity in net earnings (losses) of affiliates, to reflect our 50% share of the results of Golar Power from its deconsolidation date in July 2016. Included within this line item for 2016, was our share of the fair value remeasurement gain arising on Golar Power's 50% retained investment in the entity which holds the investment in the Sergipe Project. The recognition of this gain was triggered by Golar Power's step acquisition of the other 50% equity interest as held by the project developer, Genpower in October 2016.

Factors Affecting Our Results of Operations

We believe the principal factors that will affect our future results of operations include:

- the success of the Pool Manager in finding employment and negotiating charter rates for our vessels and the vessels of other participants in the Cool Pool;
- revenues generated by the Hilli, pursuant to vessel acceptance by the Customer under the LTA;
- the number and types of vessels in our fleet and the fleets of our affiliates;
- our ability to maintain good working relationships with our key existing charterers and to increase the number of our charterers through the development of new working relationships;
- increased demand for LNG shipping services, including FSRU and FLNG services, and in connection with this underlying demand for and supply of natural gas and specifically LNG;
- our ability to employ our vessels operating in the spot market and rates and levels of utilization achieved by our vessels;
- the success or failure of the LNG infrastructure (including FLNG) projects that we and our affiliates are working on or may work on in the future, including the Hilli's timely acceptance by the Customer under the LTA;
- our ability to execute strategic and mutually beneficial sales of our assets, including the Hilli, similar to the past sale of six of our vessels conducted with Golar Partners, for aggregate purchase consideration of \$1.9 billion, and our ability to secure charters of an appropriate duration for the assets being sold;
- our ability to obtain funding in respect of our capital commitments;
- the success of our affiliates in their operations;
- the effective and efficient technical management of ours, Golar Partners' and Golar Power's vessels;
- our ability to obtain and maintain major international energy company approvals and to satisfy their technical, health, safety and compliance standards; and
- economic, regulatory, political and governmental conditions that affect the shipping industry, including changes in the number of LNG importing countries and regions and availability of surplus LNG from projects around the world, as well as structural LNG market changes allowing greater flexibility and enhanced competition with other energy sources.

In addition to the factors discussed above, we believe certain specific factors related to our and our joint ventures' or affiliates' operations have impacted, and will continue to impact, our results of operations. These factors include:

access to capital required to acquire additional vessels and/or to implement business strategy;
 level of debt and the related interest expense and amortization of principal;
 the performance of our equity interests;
 employment of vessels;
 the hire rate earned by vessels and unscheduled off-hire days;
 non-utilization of vessels not subject to fixed rate charters;
 pension and share option expenses;
 mark-to-market charges in the Hilli embedded derivative, interest rate and equity swaps and foreign currency derivatives;
 foreign currency exchange gains and losses;
 equity in earnings of affiliates;
 increases in operating costs; and
 prevailing global and regional economic and political conditions.

Please see the section of this Annual Report entitled "Item 3. Key Information-D. Risk Factors" for a discussion of certain risks inherent in our business.

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

Operating revenues (including revenue from collaborative arrangement). Total operating revenues primarily refers to time and voyage charter revenues. We recognize revenues from time and voyage charters over the term of the charter as the applicable vessel operates under the charter. We do not recognize revenue during days when the vessel is off-hire, unless the charter agreement makes a specific exception. Operating revenues includes revenues from vessels engaged in collaborative arrangements, such as the Cool Pool. Specifically, for the Cool Pool, pool earnings (gross earnings of the pool less costs and overheads of the Cool Pool and fees to the Pool Manager) are aggregated and then allocated to the Pool Participants in accordance with the number of days each of their vessels are entered into the pool during the period.

Off-hire (including commercial waiting time). Our vessels may be out of service, off-hire, for three main reasons: scheduled drydocking or vessel upgrade or special survey or maintenance, which we refer to as scheduled off-hire; days spent waiting for a charter, which we refer to as commercial waiting time; and unscheduled repairs or maintenance, which we refer to as unscheduled off-hire.

Vessel and other management fees. As part of our operations we provide various management and administrative services to our joint ventures and affiliates.

Voyage, charterhire expenses and commission expenses (including expenses from collaborative arrangement). Voyage expenses, which are primarily fuel costs but which also include other costs such as port charges, are paid by our charterers under our time charters. However, we may incur voyage related expenses during off-hire periods when positioning or repositioning vessels before or after the period of a time charter or before or after drydocking. While a vessel is on-hire, fuel costs are typically paid by the charterer, whereas during periods of commercial waiting time, fuel costs are paid by us. Charter-hire expenses refer to the cost of chartering-in vessels to our fleet and commissions relate to brokers' commissions. Furthermore, voyage, charterhire expenses and commission expenses includes related expenses attributable to vessels engaged in collaborative arrangements, such as the Cool Pool. In relation to the vessels participating in the Cool Pool, voyage expenses and commissions include a net allocation from the pool participants' vessels less the other participants' share of the net revenues earned by our vessels included in the Cool

Pool.

56

Time charter equivalent earnings. In order to compare vessels trading under different types of charters, it is standard industry practice to measure the revenue performance of a vessel in terms of average daily time charter equivalent earnings, or TCE. This is calculated by dividing time and voyage charter revenues (including those from collaborative arrangements, such as the Cool Pool), less any voyage expenses, by the number of calendar days minus days for scheduled off-hire. Where we are paid a fee to position or reposition a vessel before or after a time charter, this additional revenue, less voyage expenses, is included in the calculation of TCE. TCE is a non-U.S. GAAP financial measure. Please see the section of this Annual Report entitled "Item 3. Key Information-A. Selected Financial Data" for a reconciliation of TCE to our total operating revenues.

Vessel operating expenses. Vessel operating expenses include direct vessel operating costs associated with operating a vessel, such as crew wages, which are the most significant component, vessel supplies, routine repairs, maintenance, lubricating oils, insurance and management fees for the provision of commercial and technical management services.

Depreciation and amortization. Depreciation and amortization expense, or the periodic cost charged to our income for the reduction in usefulness and long-term value of our vessels, is related to the number of vessels we own or operate under long-term capital leases. We depreciate the cost of our owned vessels, less their estimated residual value, and amortize the amount of our capital lease assets over their estimated economic useful lives, on a straight-line basis. We amortize our deferred drydocking costs generally over five years based on each vessel's next anticipated drydocking.

Administrative expenses. Administrative expenses are comprised of general overhead, including personnel costs, legal and professional fees, costs associated with project development, property costs and other general administration expenses. Included within administrative expenses are pension and share option expenses. Pension expense includes costs associated with a defined benefit pension plan we maintain for some of our office-based employees (the UK Scheme and Marine Scheme). Although this scheme is now closed to new entrants the cost of provision of this benefit will vary with the movement of actuarial variables and the value of the pension fund assets.

Unrealized gain on Hilli derivative instrument. In December 2017, we recognized a derivative asset in relation to the Hilli LTA. The derivative asset represents the fair value of the estimated discounted cash flows of payments due as a result of the Brent Crude price moving above the contractual floor of \$60.00 per barrel over the contract term. The derivative asset is adjusted to fair value at each balance date, the changes in fair value are recognized in each period in current earnings in "Unrealized gain on FLNG derivative instrument", which forms part of our operating results.

Interest expense and interest income. Interest expense depends on our and our consolidated lessor VIE entities overall level of borrowings, including costs associated with such borrowing. By virtue of the sale and leaseback transactions we have entered into with lessor VIEs, where we are deemed to be the primary beneficiary, we are required to consolidate these VIEs into our results. Accordingly, although consolidated into our results, we have no control over the funding arrangements negotiated by these lessor VIE entities which includes the interest rates to be applied. For additional detail refer to note 5 "Variable Interest Entities" of our Consolidated Financial Statements included herein. Furthermore, our estimation process is dependent upon the timeliness of receipt and accuracy of financial information provided by these lessor VIE entities. During construction of a newbuilding, FSRU or FLNG retrofitting period, interest expense incurred is capitalized in the cost of the newbuilding or retrofitted vessel. In addition this treatment may also apply to certain of our equity method investments, meeting specific criterion, during the period prior to commencement of their planned principal operations. Interest expense may also change with prevailing interest rates, although interest rate swaps or other derivative instruments may reduce the effect of these changes. Interest income will depend on prevailing interest rates and the level of our cash deposits and restricted cash deposits.

Impairment of non-current assets. Our vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing the recoverability of our vessels' carrying amounts, we make assumptions regarding estimated future cash flows, the vessels' economic useful life and

estimates in respect of residual or scrap value.

Other financial items. Other financial items include financing fee arrangement costs such as commitment fees on credit facilities, market valuation adjustments for derivatives, interest rate cash settlements and foreign exchange gains/losses. The market valuation adjustment for our derivatives may have a significant impact on our results of operations and financial position although it does not impact our liquidity. Although for certain of our derivative arrangements such as our total return equity swap cash collateral maybe required to be posted. As at December 31, 2017 cash collateral amounting to \$58.4 million has been provided against our Total Return Swap (see note 18 "Restricted Cash and Short-term Deposits" of our Consolidated Financial Statements included herein).

Inflation and Cost Increases

Although inflation has had a moderate impact on operating expenses, interest costs, drydocking expenses and overhead, we do not expect inflation to have a significant impact on direct costs in the current and foreseeable economic environment other than potentially in relation to insurance costs and crew costs. LNG transportation is a business that requires specialist skills that take some time to acquire and the number of vessels is increasing. Therefore, there has been an increased demand for qualified crews, which has and will continue to the same extent to put inflationary pressure on crew costs. Only vessels on full cost pass-through charters would be fully protected from crew cost increases.

Results of Operations

Our results for the years ended December 31, 2017, 2016 and 2015 were affected by several key factors:

Golar Tundra, one of our newbuildings, was delivered in 2015, which was affected by commercial waiting time;

Our vessels were affected by commercial waiting time, including our newbuildings and vessels in lay-up. The Hilli and the Gandria were placed in lay-up in April 2013, the Gimi in January 2014 and the Golar Grand and the Golar Viking in December 2015;

Charter-hire expenses of \$17.4 million, \$28.4 million and \$28.7 million for the year ended December 31, 2017, 2016 and 2015, respectively, arising from the charter-back of the Golar Grand (2015 includes the charter-back of Golar Eskimo) from Golar Partners, under an agreement executed at the time of the disposal to Golar Partners. On November 1, 2017, the Golar Grand arrangement concluded;

Additions in operating costs of \$nil, \$2.0 million and \$1.8 million in 2017, 2016 and 2015, respectively, in connection with our crewing pool in anticipation of the delivery of our newbuilds (prior to the transfer of this newbuilding to Golar Power upon the deconsolidation of Golar Power in July 2016, see note 7 "Deconsolidation of Golar Power" of our Consolidated Financial Statements included herein);

Interest costs of \$72.4 million, \$50.3 million and \$7.1 million were capitalized in 2017, 2016 and 2015, respectively, in relation to the FLNG conversion of the Hilli, the investment in our affiliate, Golar Power and our newbuilding under construction;

Gains or losses arising on the disposal of our investment in the common units of Golar Partners. This includes deemed disposals, being the dilutive impact on our ownership interest due to further issuances of common units by the Partnership;

Gains arising from disposals to Golar Partners;

Deconsolidation of Golar Power in July 2016, which resulted in the recognition of a loss on loss of control of \$8.5 million;

The realized and unrealized gains and losses on mark-to-market adjustments for our derivative instruments of \$19.5 million gain, \$17.5 million gain and \$96.5 million loss in 2017, 2016 and 2015, respectively, and the impact of hedge accounting, which we ceased during 2015, for certain of our interest rate and equity swap derivatives;

- Mark-to-market gain of \$15.1 million in 2017, on the embedded derivative in relation to the Hilli LTA.

Impairment loss arising on the loan and associated interest receivables from the Douglas Channel Project consortium. Given the announcement of a negative Final Investment Decision, we reassessed the recoverability of the loan and accrued interest receivables from the Douglas Channel LNG Assets Partnership, or DCLAP, and concluded that DCLAP would not have the means to satisfy its obligations under the loan. Accordingly, we recognized an impairment charge of \$7.6 million in 2016;

Impairment loss arising on certain loan facilities granted to Equinox in February 2015, in connection with their acquisition of the vessel, the Golar Viking, from us. Due to concerns with recoverability of these loans, we recognized a loss of \$15 million upon repossession of the vessel;

Share options expense on options granted during 2017, 2016 and 2015; and

Project expenses such as those relating to FLNG project development.

The impact of these factors is discussed in more detail below.

A. Operating Results

Year ended December 31, 2017, compared with the year ended December 31, 2016

As of December 31, 2017, we managed our business and analyzed and reported our results of operations on the basis of three segments: Vessel operations, FLNG and Power. Although our segments are generally influenced by the same economic factors, each represents a distinct product in the LNG industry. See note 8 "Segment Information" of our Consolidated Financial Statements included herein.

The following details our consolidated revenues and expense information for the three segments for each of the years ended December 31, 2017 and 2016:

Vessel operations segment

(in thousands of \$, except average daily TCE)	December 31,		Change	% Change	
	2017	2016			
Total operating revenues	143,537	80,257	63,280	79	%
Vessel operating expenses	(55,944)	(53,163)	(2,781)	5	%
Voyage, charter-hire and commission expenses (including expenses from collaborative arrangements)	(61,171)	(47,563)	(13,608)	29	%
Administrative expenses	(46,092)	(42,384)	(3,708)	9	%
Depreciation and amortization	(76,522)	(72,972)	(3,550)	5	%
Impairment of non-current assets	—	(1,706)	1,706	(100)	%
Other operating gains - LNG trading	—	16	(16)	(100)	%
Operating loss	(96,192)	(137,515)	41,323	(30)	%
Equity in net earnings of affiliates	1,503	37,344	(35,841)	(96)	%

Other Financial Data:

Average Daily TCE ⁽¹⁾ (to the closest \$100)	17,500	10,100	7,400	73	%
Calendar days less scheduled off-hire days	3,885	4,034	(149)	(4)	%

TCE is a non-GAAP financial measure. For a reconciliation of TCE rates, please see "Item 3. Key Information-A. (1) Selected Financial Data."

Total Operating revenues: Operating revenues increased by \$63.3 million to \$143.5 million for the year ended December 31, 2017 compared to \$80.3 million in 2016. This was principally due to an increase in revenue of:

\$54.7 million as a result of improved utilization and daily hire rates, including repositioning fees, from our vessels participating in the Cool Pool for the year ended December 31, 2017 compared to the same period in 2016;
\$1.3 million in revenue from the Golar Arctic which was fully utilized for the year ended December 31, 2017 compared to the same period in 2016 when she was mostly off-hire during the first quarter in preparation for her

charter on March 23, 2016 with an energy and logistics company; and \$12.4 million in management fee income, from \$14.2 million in 2016 to \$26.6 million in 2017, from the provision of services to Golar Partners, Golar Power and OneLNG under our management and administrative services and ship management agreements. The increase is primarily a result of the services provided to Golar Power and OneLNG throughout the year ended December 31, 2017, whereas, services were only provided to Golar Power and OneLNG for a portion of 2016, subsequent to their formation in July 2016.

These are partially offset by a decrease of \$4.5 million in revenue in 2017 from the Golar Penguin and the Golar Celsius following the deconsolidation of Golar Power, and thus its fleet, from July 2016.

The increase of \$7,400 in average daily TCE rate to \$17,500 for 2017 compared to \$10,100 in 2016 is primarily due to the overall increase in charter rates and utilization levels of our vessels in 2017.

Vessel operating expenses: Vessel operating expenses increased by \$2.8 million to \$55.9 million for the year ended December 31, 2017, compared to \$53.2 million in 2016. This was principally due to an increase of:

- \$2.3 million in relation to the Gandria, mainly due to the settlement of its lay-up fees;
- \$1.8 million in operating costs in relation to our vessels operating in the Cool Pool; and
- \$3.0 million related to bringing in-house our technical operations and the related change in classification of fleet management related administrative costs from administrative expenses to vessel operating costs.

These are partially offset by a decrease of \$4.5 million in operating expenses in 2017, in relation to the Golar Penguin and the Golar Celsius following the deconsolidation of Golar Power, and thus its fleet, from July 2016.

Voyage, charterhire and commission expenses: Voyage, charterhire and commission expenses largely relate to charterhire expenses, fuel costs associated with commercial waiting time and vessel positioning costs. While a vessel is on-hire, fuel costs are typically paid by the charterer, whereas during periods of commercial waiting time, fuel costs are paid by us. The increase in voyage, charterhire and commission expenses of \$13.6 million to \$61.2 million for the year ended December 31, 2017 compared to \$47.6 million in 2016 was primarily due to an increase of \$26.6 million of voyage expenses that arose from the increased utilization of our vessels participating in the Cool Pool, which are subsequently recouped from the charterer.

This has been partially offset by:

- a decrease of \$9.6 million in charterhire expense relating to the charter back of the Golar Grand from Golar Partners. The decrease is due to: (i) Golar Grand's drydocking from February to April 2017, which resulted in no charterhire payable to Golar Partners and (ii) on November 1, 2017, the Golar Grand arrangement concluded;
- a decrease of \$2.0 million from the Golar Penguin and the Golar Celsius following the deconsolidation of Golar Power, and thus its fleet, from July 2016; and
- a decrease of \$0.6 million from Golar Arctic as she incurred significant voyage costs prior to commencement of her charter in 2016 with an energy and logistics company.

Administrative expenses: Administrative expenses increased by \$3.7 million to \$46.1 million for the year ended December 31, 2017 compared to \$42.4 million in 2016. This was primarily due to an increase in salaries and benefits of \$14.0 million, mainly as a result of an increase in headcount, and an increase in travel costs of \$1.4 million in connection with the various new ventures and associated projects entered into during the second half of 2016, such as Golar Power and OneLNG. This was partially offset by (i) a decrease of \$1.8 million in legal and professional fees; (ii) a decrease in administration expenses due to greater capitalization of certain costs directly associated with the conversion of the Hilli into a FLNG; and (iii) a general decrease following a change in the classification of fleet management related administrative costs to vessel operating expenses as discussed under vessel operating expenses above.

Depreciation and amortization: Depreciation and amortization increased by \$3.6 million to \$76.5 million for the year ended December 31, 2017 compared to \$73.0 million in 2016. This was primarily due to an increase of \$15.5 million in depreciation expense in 2017 relating to the Golar Tundra. This includes a \$9.7 million depreciation catch up charge recognized upon the vessel ceasing to be classified as held-for-sale in March 2017.

This was partially offset by a decrease in depreciation and amortization of:

\$5.7 million from the Golar Penguin and the Golar Celsius following the deconsolidation of Golar Power, and thus its fleet, from July 2016; and

\$5.2 million from the Gimi as she reached the end of her useful life at December 31, 2016.

Impairment of non-current assets: In December 31, 2016, we realized an impairment charge amounting to \$1.7 million related to equipment classified as "Other non-current assets" due to the uncertainty of its future usage. During the year ended December 31, 2017, there was no comparable amount.

Equity in net earnings of affiliates:

(in thousands of \$)	December 31,			
	2017	2016	Change	% Change
Equity in net earnings in Golar Partners	17,702	37,716	(20,014)	(53)%
Net loss on deemed disposal of investments in Golar Partners	(16,992)	—	(16,992)	100 %
Share of net earnings (loss) in other affiliates	793	(372)	1,165	(313)%
	1,503	37,344	(35,841)	(96)%

The share of net earnings in Golar Partners represents our share of equity in Golar Partners. The decrease in the share of net earnings in Golar Partners is as a result of a decrease in the underlying performance of Golar Partners in 2017. Our share of net earnings in Golar Partners is partially offset by a deemed loss on disposal of \$17.0 million in 2017, as a result of dilution in our holding in Golar Partners due to further issuances of common units by Golar Partners in February 2017. As of December 31, 2017, we held a 31.8% (2016: 33.9%) ownership interest in Golar Partners (including our 2% general partner interest) and 100% of IDRs.

FLNG segment

(in thousands of \$)	December 31,			
	2017	2016	Change	% Change
Total operating expenses	(4,365)	(3,576)	(789)	22 %
Unrealized gain on FLNG derivative instrument	15,100	—	15,100	100 %
Operating gain (loss)	10,735	(3,576)	14,311	(400)%
Equity in net loss of affiliates	(8,153)	—	(8,153)	100 %

Total operating expenses: This relates to non-capitalized project related expenses comprising of legal, professional and consultancy costs.

Unrealized gain on FLNG derivative instrument: In 2017, we recognized a \$15.1 million unrealized fair value gain relating to the Hilli LTA embedded derivative. This represents the fair value movements from the initial value ascribed to the derivative upon effectiveness of the LTA in December 2017 and the fair value at the balance sheet date. See note 1 "General" of our Consolidated Financial Statements included herein for further details.

Equity in net loss of affiliates: Pursuant to the formation of OneLNG in July 2016, we account for our share of net losses in OneLNG.

FLNG Conversions

Hilli FLNG conversion

In September 2014, the Hilli was delivered to Keppel, in Singapore for commencement of her FLNG conversion. The Hilli completed her conversion in October 2017 and is currently undergoing commissioning. We expect acceptance testing procedures to commence shortly. Subsequent to acceptance, we will commence recognition of revenue pursuant to the Hilli LTA.

Power segment

In June 2016, we entered into certain agreements forming a 50/50 joint venture, Golar Power, with investment vehicles affiliated with the private equity firm Stonepeak. The purpose of Golar Power is to offer integrated LNG based downstream solutions through the ownership and operation of FSRUs and associated terminal and power generation infrastructure.

In October 2016, Golar Power took its Final Investment Decision on the Porto de Sergipe Project, enabling CELSE to enter into a lump sum full turn-key EPC agreement with General Electric to build, maintain and operate the 1.5GW combined cycle power plant in Sergipe, Brazil. The power plant is currently under construction and is scheduled to deliver power to 26 committed off-takers for 25 years from 2020.

	December 31,			
(in thousands of \$)	2017	2016	Change	% Change

Equity in net (losses) earnings of Golar Power	(18,798)	10,534	(29,332)	(278)%
--	----------	--------	----------	---------

Pursuant to the deconsolidation of Golar Power in July 2016, we have accounted for our remaining 50% ownership interest in Golar Power under the equity method.

The share of net losses of Golar Power principally relates to trading activity of the Golar Celsius and the Golar Penguin operating as LNG carriers within the Cool Pool arrangement (further described in note 29 "Related Parties" of our Consolidated Financial Statements included herein) and the results of operations from Golar Power's Brazilian subsidiaries.

Our share of net earnings in Golar Power in 2016 of \$10.5 million includes \$21.9 million, being our share of the fair value remeasurement gain arising on Golar Power's 50% retained investment in the entity which holds the investment in the Sergipe Project. The recognition of this gain was triggered by Golar Power's step acquisition of the other 50% equity interest as held by the project developer, Genpower, in October 2016.

Other operating results

The following details our other consolidated results for the years ended December 31, 2017 and 2016:

	December 31,			
(in thousands of \$)	2017	2016	Change	% Change
Total other non-operating expense	(81)	(8,615)	8,534	(99)%
Interest income	5,890	2,969	2,921	98 %
Interest expense	(59,305)	(71,201)	11,896	(17)%
Other financial items, net	20,627	8,691	11,936	137 %
Income taxes	(1,505)	589	(2,094)	(356)%
Net income attributable to non-controlling interests	(34,424)	(25,751)	(8,673)	34 %

Total other non-operating expense: On July 6, 2016, we closed the disposal of a 50% ownership interest in Golar Power, the entity that owns and operates Golar Penguin, Golar Celsius, newbuild Golar Nanook and LNG Power Limited, which holds the rights to participate in the Sergipe Project. This resulted in the recognition of a loss of \$8.5 million in 2016. There was no comparable amount in 2017.

Interest income: Interest income increased by \$2.9 million to \$5.9 million for the year ended December 31, 2017, compared to \$3.0 million for the same period in 2016 due to returns on our fixed deposits that had been made in 2017, using the proceeds from our financing activities in the first quarter of 2017.

Interest expense: Interest expense decreased by \$11.9 million to \$59.3 million for the year ended December 31, 2017 compared to \$71.2 million for the same period in 2016 and is primarily due to higher capitalized interest on borrowing

costs recognized in 2017 in respect of the Hilli FLNG conversion and our investment in Golar Power, as well as lower interest expense arising on the loan facilities of our lessor VIEs. This is partially offset by an increase of:

• \$8.2 million in interest expense in relation to the \$402.5 million convertible bonds issued in February 2017, which replaced the old \$250 million convertible bonds that were repaid in early March 2017;

• \$6.0 million in interest expense from the \$150.0 million margin loan that we entered into in March 2017; and

• \$13.1 million in interest expense from the additional \$275 million drawn down on the Hilli pre-delivery facility during 2017.

Other financial items: Other financial items decreased by \$11.9 million to a gain of \$20.6 million for the year ended December 31, 2017 compared to a gain of \$8.7 million for the same period in 2016 as set forth in the table below:

(in thousands of \$)	December 31,		Change		% Change
	2017	2016			
Mark-to-market adjustment for interest rate swap derivatives	6,614	2,818	3,796	135	%
Interest expense on undesignated interest rate swaps	(3,802)	(10,153)	6,351	(63)	%
Net realized and unrealized gain (losses) on interest rate swap agreements	2,812	(7,335)	10,147	(138)	%
Mark-to-market adjustment for equity derivatives	16,622	24,819	(8,197)	(33)	%
Impairment of loan	—	(7,627)	7,627	(100)	%
Financing arrangement fees and other costs	(677)	(404)	(273)	68	%
Amortization of debt guarantee	1,548	1,563	(15)	(1)	%
Foreign exchange loss on operations	(888)	(1,909)	1,021	(53)	%
Other	1,210	(416)	1,626	(391)	%
	20,627	8,691	11,936	137	%

Net realized and unrealized gains (losses) on interest rate swap agreements: Net realized and unrealized gains (losses) on interest rate swaps increased to a gain of \$2.8 million for the year ended December 31, 2017 from a loss of \$7.3 million for the same period in 2016. As of December 31, 2017, we have an interest rate swap portfolio with a notional amount of \$1.3 billion, none of which are designated as hedges for accounting purposes. The improvement in the mark-to-market position of our interest rate swaps is due to the increase in long-term swap rates for the year ended December 31, 2017 compared to prior year.

Mark-to-market adjustment for equity derivatives (or equity swap): In December 2014, we established a three month facility for a Stock Indexed Total Return Swap Programme or Equity Swap Line with DNB Bank ASA in connection with a share buyback scheme. The facility has been subsequently extended to June 2018. The equity swap derivatives mark-to-market adjustment resulted in a net gain of \$16.6 million recognized in the year ended December 31, 2017 compared to a net gain of \$24.8 million for the same period in 2016. The gain in 2017, is due to the continued improvements in the Company's share price during 2017.

Impairment of loan: Given the announcement of a negative final investment decision from the Douglas Channel Project consortium, we reassessed the recoverability of the loan previously granted by Golar and accrued interest receivables from DCLAP, and concluded that DCLAP would not have the means to satisfy its obligations under the loan. Accordingly, during the year ended December 31, 2016, we recognized an impairment charge of \$7.6 million. There was no comparable amount for the year ended December 31, 2017.

Net income attributable to non-controlling interests: We are party to sale and leaseback arrangements for seven vessels with the lessor VIEs. While we do not hold any equity investments in these lessor VIEs, we are the primary beneficiary. Accordingly, these lessor VIEs are consolidated into our financial results and thus the equity attributable to the financial institutions in their respective variable interest entities are included in non-controlling interests in our consolidated results.

Year ended December 31, 2016, compared with the year ended December 31, 2015

The following details our consolidated revenues and expense information for the three segments for each of the years ended December 31, 2016 and 2015:

Vessel operations segment

(in thousands of \$, except average daily TCE)	December 31,			
	2016	2015	Change	% Change
Total operating revenues	80,257	102,674	(22,417)	(22)%
Vessel operating expenses	(53,163)	(56,347)	3,184	(6)%
Voyage, charter-hire and commission expenses (including expenses from collaborative arrangements)	(47,563)	(69,042)	21,479	(31)%
Administrative expenses	(42,384)	(28,657)	(13,727)	48 %
Depreciation and amortization	(72,972)	(73,732)	760	(1)%
Impairment of non-current assets	(1,706)	(1,957)	251	(13)%
Gain on disposals to Golar Partners	—	102,406	(102,406)	(100)%
Impairment of vessel held-for-sale	—	(1,032)	1,032	(100)%
Other operating gains - LNG trading	16	—	16	100 %
Loss on disposal of vessel held-for-sale	—	(5,824)	5,824	(100)%
Operating loss	(137,515)	(31,511)	(106,004)	336 %
Equity in net earnings of affiliates	37,344	55,985	(18,641)	(33)%
Other Financial Data:				
Average Daily TCE ⁽¹⁾ (to the closest \$100)	10,100	14,900	(4,800)	(32)%
Calendar days less scheduled off-hire days	4,034	4,481	(447)	(10)%

(1) TCE is a non-GAAP financial measure. For a reconciliation of TCE rates, please see "Item 3. Key Information-A. Selected Financial Data."

Operating revenues: Operating revenues decreased by \$22.4 million to \$80.3 million for the year ended December 31, 2016 compared to \$102.7 million in 2015. This was principally due to a decrease in revenue of:

- \$21.7 million from the Golar Crystal and Golar Frost following the conclusion of their charters with Nigeria LNG in March 2016 and their subsequent entry into the Cool Pool;

- \$10.0 million from the Golar Celsius and Golar Penguin following the deconsolidation of Golar Power, and thus its fleet, from July 6, 2016;

- \$2.0 million from the Golar Arctic as she was mostly off-hire during the first quarter of 2016 prior to the commencement of her two year floating storage unit charter on March 23, 2016 with an energy and logistics company in Jamaica;

- \$1.4 million from the Golar Eskimo relating to revenue earned prior to her disposal to Golar Partners in January 2015; and

- \$1.3 million from the Golar Grand relating to revenue earned prior to her being placed into cold lay-up in December 2015.

This was partially offset by an increase in revenue of:

- \$11.2 million in respect of six of our vessels (excluding the Golar Crystal and the Golar Frost) operating in the Cool Pool due to the overall increase in utilization for these vessels in the period;

- \$1.0 million from the Golar Tundra relating to revenue earned from the WAGL time charter; and

-

\$1.7 million to \$14.2 million with respect to management fee income from the provision of services to Golar Partners under our management and administrative services and fleet management agreements compared to \$12.5 million for the same period in 2015.

The decrease of \$4,800 in average daily TCE rate to \$10,100 for 2016 compared to \$14,900 in 2015 is primarily due to the overall decline in charter rates and low utilization levels of our vessels in 2016.

Vessel operating expenses: Vessel operating expenses decreased by \$3.2 million to \$53.2 million for the year ended December 31, 2016, compared to \$56.3 million in 2015. This was principally due to a decrease of:

\$4.2 million in operating costs in relation to the Golar Celsius and Golar Penguin following the deconsolidation of Golar Power, and thus its fleet, from July 6, 2016;
\$2.7 million in operating costs in relation to our eight vessels operating in the Cool Pool;
\$1.2 million in management fee costs due to our bringing in-house the technical operations;
\$0.3 million from the Golar Eskimo in connection with her disposal to Golar Partners in January 2015; and
lower operating costs from our vessels in lay-up, namely the Gimi, the Gandria and the Golar Viking.

This was partially offset by an increase of \$5.0 million of operating costs in relation to the Golar Tundra, which was delivered in November 2015.

Voyage, charterhire and commission expenses: Voyage, charterhire and commission expenses largely relate to charterhire expenses and fuel costs associated with commercial waiting time and vessel positioning costs. The decrease in voyage, charterhire and commission expenses of \$21.5 million to \$47.6 million for the year ended December 31, 2016 compared to \$69.0 million in 2015 was primarily due to a decrease of:

\$13.8 million in charterhire expense relating to the charter-back of the Golar Eskimo from Golar Partners. The charter-back arrangement with Golar Partners was in connection with the disposal of the Golar Eskimo in January 2015, with the arrangement ending in June 2015. No comparable charterhire expense was therefore recognized in 2016; and

\$13.3 million in charterhire expense relating to the charter-back of the Golar Grand from Golar Partners. The charter-back arrangement was pursuant to Golar Partners' exercise of its option in February 2015 under the Option Agreement executed in connection with the disposal of the vessel to Golar Partners in 2012. In 2015 these costs included \$8.8 million of incremental liability arising from the re-measurement of Golar's guarantee obligation to Golar Partners. In addition, pursuant to entry of the Golar Grand into lay-up in December 2015, the daily charterhire rate was lowered to account for operating costs savings.

This was partially offset by an increase of:

\$1.4 million of voyage expense in relation to the Golar Tundra, which was delivered in November 2015; and
\$3.3 million of voyage, charterhire and commission expense in relation to the Golar Crystal and Golar Frost following the conclusion of their charters with Nigeria LNG in March 2016 and their subsequent entry into the Cool Pool.

Administrative expenses: Administrative expenses increased by \$13.7 million to \$42.4 million for the year ended December 31, 2016 compared to \$28.7 million in 2015. This was primarily due to an increase of (i) \$7.0 million in salaries and benefits following an increase in headcount partly due to the bringing in-house of technical operations; (ii) \$2.0 million in professional fees as a result of increased projects and business expansion activities; (iii) \$2.1 million in share options expense pursuant to the grants in 2016; and (iv) partially offset by a decrease in administration expenses due to capitalization of certain costs directly associated to the conversion of the Hilli to a FLNG.

Depreciation and amortization: Depreciation and amortization decreased by \$0.8 million to \$73.0 million for the year ended December 31, 2016 compared to \$73.7 million in 2015. This was primarily due to lower depreciation of \$5.2 million from the Golar Celsius and Golar Penguin following the deconsolidation of Golar Power from July 2016, and lower depreciation in relation to the Golar Tundra upon its classification as held-for-sale from December 31, 2015 upon which depreciation ceased to be recognized.

This was partially offset by an increase of:

\$0.9 million from our newbuildings delivered in the first quarter of 2015 (i.e. Golar Ice, Golar Kelvin and Golar Snow); and
\$3.7 million from the Golar Viking, which was sold on January 20, 2015 but subsequently reacquired on December 4, 2015, resulting in a full twelve months' depreciation charge in 2016.

Impairment of non-current assets: In December 31, 2016, we realized an impairment charge amounting to \$1.7 million related to equipment classified as "Other non-current assets" due to the uncertainty of its future usage. During the year ended December 31, 2015, the impairment charge amounting to \$2.0 million relates to parts initially ordered for the Golar Spirit FSRU retrofitting in 2007, which were not utilized following changes to the original project specifications. Some of these parts were used in subsequent conversions, however, due to the deterioration in the market in 2015, the carrying value of the residual parts were fully impaired.

Gain on disposals to Golar Partners: In January 2015, we sold 100% of our interests in the companies that own and operate the FSRU, the Golar Eskimo, to Golar Partners and recognized a gain on disposal of \$102.4 million.

Impairment of vessel held-for-sale: In April 2015, we acquired the LNG vessel, LNG Abuja, for \$20.0 million. In July 2015, she was sold to a third party for \$19.0 million. Accordingly, as of the reporting period ended June 30, 2015, the vessel was classified as held-for-sale and we recognized an impairment loss of \$1.0 million.

Loss on disposal of vessel held-for-sale: In February 2015, we sold the LNG carrier, Golar Viking, to PT Perusahaan Pelayaran Equinox, or Equinox, at a sale price of \$135.0 million resulting in a loss on disposal of \$5.8 million. There was no comparable transaction in 2016.

Equity in net earnings of affiliates:

(in thousands of \$)	December 31,			% Change	
	2016	2015	Change	%	Change
Share of net earnings in Golar Partners	37,716	23,124	14,592	63	%
Gain on disposal of investments in Golar Partners	—	32,580	(32,580)	100	%
Share of net (loss) earnings in other affiliates	(372)	(281)	(653)	(232)	%
	37,344	55,985	(18,641)	(33)	%

Our share of net earnings in Golar Partners is partially offset by a charge for the amortization of the basis difference in relation to the gain on loss of control recognized on deconsolidation in 2012.

The net gain on disposal of investments in Golar Partners of \$32.6 million relates to the disposal of 7.2 million common units in Golar Partners in January 2015.

FLNG segment

(in thousands of \$)	December 31,			% Change	
	2016	2015	Change	%	Change
Total operating expenses	(3,576)	(4,869)	1,293	(27)	%
Operating loss	(3,576)	(4,869)	1,293	(27)	%

The net loss for FLNG in 2016 and 2015 amounted to \$3.6 million and \$4.9 million, respectively, which mainly relates to non-capitalized project related expenses comprising of legal, professional and consultancy costs.

As of December 31, 2016 and 2015, the total costs incurred and capitalized in respect of the Hilli conversion amounted to \$732.0 million and \$501.0 million, respectively.

Power segment

(in thousands of \$)	December 31,			% Change	
	2016	2015	Change	%	Change
Equity in net (losses) earnings of affiliates	10,534	—	10,534	100	%

Our share of net earnings in Golar Power includes \$21.9 million, being our share of the fair value remeasurement gain arising on Golar Power's 50% retained investment in the entity which holds the investment in the Sergipe Project. The recognition of this gain was triggered by Golar Power's step acquisition of the other 50% equity interest as held by the project developer, Genpower, in October 2016. The balance principally relates to the trading activities of the Golar Celsius and the Golar Penguin operating as LNG carriers within the Cool Pool arrangement (see note 29 "Related Parties" of our Consolidated Financial Statements included herein) and the results of operations from Golar Power's Brazilian subsidiaries.

Golar Power was formed in 2016 and thus had no comparable amounts for 2015.

Other operating results

The following details our other consolidated results for the years ended December 31, 2016 and 2015:

(in thousands of \$)	December 31,		Change	% Change
	2016	2015		
Total other non-operating expense	(8,615)	(27)	(8,588)	31,807 %
Interest income	2,969	6,896	(3,927)	(57) %
Interest expense	(71,201)	(68,793)	(2,408)	4 %
Other financial items, net	8,691	(112,722)	121,413	(108) %
Income taxes	589	3,053	(2,464)	(81) %
Net income attributable to non-controlling interests	(25,751)	(19,158)	(6,593)	34 %
Net loss attributable to stockholders of Golar LNG Ltd	(186,531)	(171,146)	(15,385)	9 %

Total other non-operating expense: The increase for the year ended December 31, 2016, is mainly attributable to the loss on loss of control of Golar Power, which resulted in a loss of \$8.5 million.

Interest income: Interest income increased by \$3.9 million to \$3.0 million for the year ended December 31, 2016 compared to \$6.9 million for the same period in 2015. The decrease was primarily due to:

the higher interest income recognized in 2015 from the \$220 million Eskimo vendor loan provided to Golar Partners in January 2015 to partly finance its acquisition of the Golar Eskimo. The Eskimo vendor loan was repaid in full in November 2015, thus there is no comparable interest income in 2016; and the interest income earned on the loan facilities granted to Equinox in connection with their acquisition of the LNG carrier, Golar Viking, in February 2015. Following the impairment of the loan receivables in the third quarter of 2015, we ceased recognition of interest income. There was no comparable interest income in 2016.

Interest expense: Interest expense decreased by \$2.4 million to \$71.2 million for the year ended December 31, 2016 compared to \$68.8 million for the same period in 2015 and is primarily due to higher capitalized interest on borrowing costs recognized in 2016 in respect of the Hilli conversion. This is partially offset by (i) higher interest expense arising on the loan facilities of our lessor VIEs; and (ii) additional interest on the new financing facility in connection with the Golar Viking.

Other financial items: Other financial items decreased by \$121.4 million to a gain of \$8.7 million for the year ended December 31, 2016 compared to a loss of \$112.7 million for the same period in 2015 as set forth in the table below:

(in thousands of \$)	December 31,		Change	% Change
	2016	2015		
Mark-to-market adjustment for interest rate swaps derivatives	2,818	(12,798)	15,616	(122) %
Interest expense on undesignated interest rate swaps	(10,153)	(15,797)	5,644	(36) %
Net realized and unrealized losses on interest rate swap agreements	(7,335)	(28,595)	21,260	(74) %
Mark-to-market adjustments for equity derivatives	24,819	(67,925)	92,744	(137) %
Impairment of loan	(7,627)	(15,010)	7,383	(49) %
Financing arrangement fees and other costs	(404)	(1,841)	1,437	(78) %
Amortization of debt guarantee	1,563	2,800	(1,237)	(44) %
Foreign exchange loss on operations	(1,909)	(2,126)	217	(10) %

Other	(416)	(25)	(391)	1,564 %
	8,691	(112,722)	121,413	(108)%

67

Net realized and unrealized losses on interest rate swap agreements: Net realized and unrealized losses on interest rate swaps decreased to a loss of \$7.3 million for the year ended December 31, 2016 from a loss of \$28.6 million for the same period in 2015. As of December 31, 2016, we have an interest rate swap portfolio with a notional amount of \$1.3 billion, none of which are designated as hedges for accounting purposes. The decrease in mark-to-market losses from our interest rate swaps is due to the increase in long-term swap rates for the year ended December 31, 2016.

Mark-to-market adjustment for equity derivatives (or equity swap): In December 2014, we established a three month facility for a Stock Indexed Total Return Swap Programme or Equity Swap Line with DNB Bank ASA in connection with a share buyback scheme. The facility has been subsequently extended to June 2017. The equity swap derivatives mark-to-market adjustment resulted in a net gain of \$24.8 million recognized in the year ended December 31, 2016 compared to a net loss of \$67.9 million for the same period in 2015. The gain in 2016, from a loss in 2015, is a reflection of the improvement in the company's share price during 2016.

Impairment of loan: Given the announcement of a negative final investment decision from the Douglas Channel Project consortium, we reassessed the recoverability of the loan previously granted by Golar and accrued interest receivables from DCLAP, and concluded that DCLAP would not have the means to satisfy its obligations under the loan. Accordingly, during the year ended December 31, 2016, we recognized an impairment charge of \$7.6 million. For the year ended December 31, 2015 we recognized a \$15.0 million impairment loss on the loan receivable due from Equinox entered into in connection with the disposal of the vessel, the Golar Viking, in February 2015.

Financing arrangement fees and other costs: The higher financing arrangement fees and other costs of \$1.8 million in 2015 arose mainly from the recognition of a \$1.2 million counter-guarantee liability, wherein we had agreed to act as a guarantor for 49% of the maximum potential liability that Genpower was exposed to after entering into an insurance agreement policy to cover the execution of the works for the implementation of the TPP Porto de Sergipe I Project in Brazil. There is no comparable cost in 2016.

Amortization of debt guarantee: The amortization of debt guarantee of \$1.6 million for the year ended December 31, 2016 decreased by \$1.2 million compared to the same period in 2015. This is primarily due the prior year ended December 31, 2015 including the release of our debt guarantee provision of \$2.2 million pursuant to the refinancing of certain debt facilities in Golar Partners for which we had previously provided a guarantee.

Net income attributable to non-controlling interests: During 2016, we were party to sale and leaseback arrangements for six vessels (2015: five) with the lessor VIEs. While we do not hold any equity investments in these lessor VIEs, we are the primary beneficiary. Accordingly, these lessor VIEs are consolidated into our financial results and thus the equity attributable to the financial institutions in their respective variable interest entities are included in non-controlling interests in our consolidated results.

B. Liquidity and Capital Resources

Liquidity and Cash Requirements

We operate in a capital intensive industry and we have historically financed the purchase of our vessels, conversion projects and other capital expenditures through a combination of borrowings from debt transactions, leasing arrangements with financial institutions, cash generated from operations, sales of vessels to Golar Partners and equity capital. Our liquidity requirements relate to servicing our debt, funding our conversion projects, funding investment in the development of our project portfolio, including our affiliates, funding working capital, payment of dividends and maintaining cash reserves to satisfy certain of our borrowing covenants (including cash collateral requirements in respect of certain of our derivatives and as security for the provision of letters of credit) and to offset fluctuations in

operating cash flows.

Our funding and treasury activities are conducted within corporate policies to maximize investment returns while maintaining appropriate liquidity for our requirements. Cash and cash equivalents are held primarily in U.S. dollars with some balances held in British Pounds, Singapore Dollars, Norwegian Kroners, Euros and Central African CFA Franc. We have not made use of derivative instruments other than for interest rate and currency risk management purposes, except in the case of our equity swaps.

Our short-term liquidity requirements