

TEEKAY TANKERS LTD.

Form 424B5

June 18, 2009

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**The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Filed Pursuant to Rule 424(B)(5)  
Registration No. 333-159807**

***PROSPECTUS SUPPLEMENT Subject to Completion, Dated June 18, 2009  
(To Prospectus dated June 5, 2009)***

***7,000,000 Shares***

***Teekay Tankers Ltd.***

***CLASS A COMMON STOCK***

***We are selling 7,000,000 shares of our Class A common stock.***

***Our shares of Class A common stock are listed on the New York Stock Exchange under the symbol TNK. The last reported sale price of our shares of Class A common stock on the New York Stock Exchange on June 17, 2009 was \$10.85 per share.***

***Investing in our shares of Class A common stock involves risks. Please read Risk Factors beginning on page S-9 of this prospectus supplement and page 3 of the accompanying prospectus before you make an investment in our shares of Class A common stock.***

	<i>Per Share</i>	<i>Total</i>
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to Teekay Tankers Ltd. (before expenses)	\$	\$

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We have granted the underwriters an option to purchase up to 1,050,000 additional shares of our Class A common stock to cover any over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock on or about \_\_\_\_\_, 2009.

Joint Book-Running Managers

*MORGAN STANLEY*

*CITI*

, 2009

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering of shares of our Class A common stock. The second part is the prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts combined. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading *Where You Can Find More Information* on page S-15. If information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus or any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. You should not assume that the information contained in this prospectus or any free writing prospectus we may authorize to be delivered to you, as well as the information we previously filed with the U.S. Securities and Exchange Commission (or *SEC*) that is incorporated by reference into this prospectus, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since such dates.

We are offering to sell shares of our Class A common stock and are seeking offers to buy shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus and the offering of shares of our Class A common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of shares of our Class A common stock and the distribution of this prospectus outside the United States. This prospectus does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus are forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as *may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, potential*, of these terms or other comparable terminology.

Forward-looking statements in this prospectus or incorporated by reference herein include, among others, statements about the following matters:

our ability to pay dividends on our common stock;

our future financial condition or results of operations and future revenues and expenses;

tanker market conditions and fundamentals, including the balance of supply and demand in the tanker market and spot tanker charter rates and oil production;

future supply of, and demand for, oil;

expansion of our business and additions to our fleet;

the effectiveness of our chartering strategy in capturing upside opportunities and reducing downside risk;

capital expenditures and the ability to fund capital expenditures;

the need to establish reserves, which would reduce dividends on our common stock;

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the recent economic downturn and financial crisis in the global market, including disruptions in the global credit and stock markets and potential negative effects on our customers' ability to charter our vessels and pay for our services;

expected compliance with financing agreements and the expected effect of restrictive covenants in such agreements;

the ability to leverage Teekay Corporation's relationships and reputation in the shipping industry;

the expected benefits of participation in vessel pooling arrangements;

the ability to enter into spot or fixed-rate time charters with customers;

the ability to maximize the use of vessels, including the redeployment or disposition of vessels no longer under time charters;

operating expenses, availability of crew and crewing costs, number of off-hire days, drydocking requirements and durations and insurance costs;

the cost of, and our ability to comply with, governmental regulations and maritime self-regulatory organization standards applicable to our business;

the impact of future regulatory changes or environmental liabilities;

the incremental general and administrative expenses as a public company and expenses under service agreements with other affiliates of Teekay Corporation;

taxation of our company and of distributions to our stockholders;

the expected lifespan of our vessels;

customers' increasing emphasis on environmental and safety concerns;

anticipated funds for liquidity needs and the sufficiency of cash flows;

our hedging activities relating to foreign exchange, interest rate and spot market risks;

the ability of counterparties to our derivative contracts to fulfill their contractual obligations; and

our business strategy and other plans and objectives for future operations.

These and other forward-looking statements are subject to risks, uncertainties and assumptions, including those risks discussed in "Risk Factors" set forth in the prospectus and those risks discussed in other reports we file with the SEC and that are incorporated into this prospectus by reference, including, without limitation, our Annual Report on Form 20-F for the year ended December 31, 2008. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control.

Forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us and, therefore, involve a number of risks and uncertainties, including those risks discussed in "Risk Factors" and otherwise incorporated into this prospectus. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

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**SUMMARY**

*The following summary highlights selected information contained elsewhere in this prospectus and the documents incorporated by reference herein and does not contain all the information you will need in making your investment decision. You should carefully read this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section, and the documents incorporated by reference herein. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriters have not exercised their over-allotment option.*

*Unless otherwise indicated, references in this prospectus to Teekay Tankers Ltd., we, us and our and similar terms refer to Teekay Tankers Ltd. and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the common stock described herein, shall mean specifically Teekay Tankers Ltd. References in this prospectus to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries. References to our Manager are to Teekay Tankers Management Services Ltd., a subsidiary of Teekay Corporation, which provides to us commercial, technical, administrative and strategic services.*

**Overview**

Our business is to own oil tankers and we employ a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters to reduce downside risks. We were formed by Teekay Corporation (NYSE: TK) a leading provider of marine services to the global oil and gas industries and the world's largest operator of medium-sized oil tankers to acquire from it a fleet of double-hull oil tankers in connection with our initial public offering in December 2007. Our growth strategy focuses on expanding our fleet through accretive acquisitions and seeking to tactically manage our mix of spot and time charter contracts to maximize dividends on a per-share basis. Through the participation of some of our vessels in pooling arrangements, managed by subsidiaries of Teekay Corporation and in which certain of its tankers participate, we expect to benefit from Teekay Corporation's reputation and the scope of Teekay Corporation's operations in increasing our cash flow. We also expect to benefit from Teekay Corporation's expertise, relationships and reputation in operating our fleet and pursuing growth opportunities. Teekay Corporation currently holds a majority of the voting power of our common stock.

We distribute to our stockholders on a quarterly basis all of our Cash Available for Distribution, subject to any reserves our board of directors may from time to time determine are required for the prudent conduct of our business. *Cash Available for Distribution* represents our net income (loss) plus depreciation and amortization, unrealized losses from derivatives, non-cash items and any write-offs or other non-recurring items less unrealized gains from derivatives. We paid a cash dividend of \$0.59 per share of common stock for the quarter ended March 31, 2009, and total dividends of \$3.39 per share for the four quarters ended December 31, 2008. Please read Our Dividend Policy and Restrictions on Dividends on page 6 of the accompanying prospectus.

**Our Fleet**

As of June 1, 2009, we owned nine Aframax-class crude oil tankers and two Suezmax-class oil tankers. As of that date, six of our Aframax tankers and one of our Suezmax tankers operated under fixed-rate, time-charter contracts with our customers, with scheduled expiration dates between August 2009 and May 2012. The Suezmax fixed-rate charter has a profit share component. Our remaining three Aframax tankers and one Suezmax tanker participated in an Aframax pool and a Suezmax pool, respectively, each operated by a Teekay Corporation subsidiary and which included 29 and 38 total vessels, respectively, as of June 1, 2009.

Upon the closing of this offering, we will acquire from Teekay Corporation for \$57.0 million the 2003-built Suezmax tanker *Ashkini Spirit*, which currently participates in the Suezmax tanker pool described above. Teekay Corporation has agreed to offer to us, prior to June 18, 2010, the right to purchase from it an additional Suezmax tanker. We anticipate additional opportunities to expand our fleet through acquisitions of tankers from third parties and additional tankers that we expect Teekay Corporation will offer to us from time to time.

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The following table provides additional information about our tankers as of June 1, 2009.

Vessel	Capacity (dwt) <sup>(1)</sup>	Built	Employment	Daily Rate	Expiration of Charter
<i>Aframax Tankers:</i>					
Erik Spirit	115,500	2005	Time charter	\$ 28,750	Dec. 2010
Matterhorn Spirit	114,800	2005	Time charter	32,000	Nov. 2009
Everest Spirit <sup>(2)</sup>	115,000	2004	Time charter	26,500	April 2010
Kanata Spirit	113,000	1999	Pool		
Kareela Spirit	113,100	1999	Time charter	29,000	Nov. 2011
Kyeema Spirit	113,300	1999	Time charter	31,000	Nov. 2011
Nassau Spirit <sup>(3)</sup>	107,100	1999	Time charter	39,000	Aug. 2009
Falster Spirit	95,400	1995	Pool		
Sotra Spirit	95,400	1995	Pool		
<i>Suezmax Tankers:</i>					
Narmada Spirit	159,200	2003	Pool		
Ganges Spirit	159,500	2002	Time charter	30,500 <sup>(4)</sup>	May 2012
Ashkini Spirit <sup>(5)</sup>	164,500	2003	Pool		
Total capacity	1,465,800				

(1) Deadweight tonnes.

(2) The *Everest Spirit* is trading on the spot market following its recent drydocking and will commence operation under the time charter in July 2009.

(3) We and Teekay Corporation each have an option to extend the time charter for one year at a daily rate of \$32,500 and \$39,250, respectively.

(4) The time charter also includes a profit share component.

(5) To be acquired from Teekay Corporation upon the closing of this offering.

**Business Strategies**

Our primary business objective is to increase dividends per share by executing the following strategies:

*Expand our Fleet Through Accretive Acquisitions.* We intend to acquire additional oil tankers in a manner that will increase our dividends on a per-share basis. In April 2008, we acquired from Teekay Corporation two Suezmax tankers. We intend to use the proceeds from this offering to purchase from Teekay Corporation a third Suezmax tanker and Teekay Corporation has agreed to offer to us another Suezmax tanker prior to June 18, 2010. We also anticipate growing our fleet through acquisitions of tankers from third parties and additional tankers that we expect Teekay Corporation to offer us from time to time. These acquisitions may include product tankers.

*Tactically Manage our Mix of Spot and Charter Contracts.* We intend to continue to employ a chartering strategy to capture upside opportunities in the spot market while using fixed-rate time charters to reduce downside risks. We believe that our Manager's experience operating through cycles in the tanker spot market

will assist us in employing this strategy and seeking to maximize our dividends on a per-share basis.

*Maximize Cash Flow by Participating in Tanker Pools.* Through the participation of some of our vessels in tanker pools operated by Teekay Corporation subsidiaries, we believe we benefit from Teekay Corporation's reputation and the scope of Teekay Corporation's operations. We believe that the cash flow we derive over time from operating some of our vessels in these pools exceeds the amount we would otherwise derive by operating these vessels outside of the pools due to higher vessel utilization and daily revenues.

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*Provide Superior Customer Service by Maintaining High Reliability, Safety, Environmental and Quality Standards.* We believe that energy companies seek transportation partners that have a reputation for high reliability, safety, environmental and quality standards. We seek to leverage Teekay Corporation's operational expertise and customer base to further expand these relationships with consistent delivery of superior customer service through our Manager.

### **Our Competitive Strengths**

We believe that we possess a number of competitive strengths that will allow us to capitalize on growth opportunities in the oil tanker market, including the following:

*Our Manager has Extensive Experience in Fleet Expansion.* Since 1998, Teekay Corporation, of which our Manager is a wholly owned subsidiary, has expanded its fleet from 50 to over 175 vessels. We believe that this fleet expansion experience, to which we have access through our Manager, will continue to prove valuable as we seek to expand our fleet and integrate new assets into our operations.

*We have Access to Teekay Corporation's Extensive Experience in and Knowledge of the Medium-Sized oil Tanker Market.* With over 30 years in the oil tanker business and with worldwide operations, Teekay Corporation has operated successfully through the inherent cyclicity in the spot market. We believe that our participation in the tanker pools operated by Teekay Corporation subsidiaries and our relationship with our Manager allow us to benefit from Teekay Corporation's market knowledge and experience in obtaining competitive spot and time-charter rates and in managing our mix of spot and time-charter contracts to maximize our cash flow.

*We Believe that our Relationship with Teekay Corporation, with its Prominence and Customer Relationships in the Shipping Industry, Significantly Enhances our Growth Opportunities.* Teekay Corporation has developed an extensive network of long-standing relationships and a strong reputation in the shipping industry. We believe that our relationship with Teekay Corporation significantly enhances the growth of our business through acquisition opportunities (both from Teekay Corporation and third parties) and the pursuit of our chartering strategy. Our competitors, many of which are larger and have more financial resources than we do, may also have strong relationships with companies with which we may seek to do business or from which we may seek to acquire vessels.

*We have Continued Access to Teekay Corporation's Expertise in Various Functions Critical to our Vessel Operations.* Our Manager and the other Teekay Corporation subsidiaries that provide services to us have significant technical, financial and commercial capabilities relating to vessel operations and other business matters applicable to our operations. We believe that these services provide strict quality and cost controls to our business and effective safety monitoring of our vessels.

*We have Financial Flexibility to Pursue Acquisitions and Expansion Opportunities.* As of June 1, 2009, we had a cash balance of approximately \$15.9 million and undrawn availability under our revolving credit facility of approximately \$55.7 million. When we acquire the 2003-built *Ashkini Spirit* Suezmax tanker from Teekay Corporation for \$57.0 million upon the closing of this offering, the undrawn availability under our revolving credit facility will immediately increase by \$58.0 million. Any amounts drawn under this facility are not subject to any scheduled principal repayments until at least November 2012. Giving pro forma effect to this additional undrawn availability and our use of a portion of the net proceeds of this offering to repay outstanding debt under the revolving credit facility, as of June 1, 2009 our undrawn availability under the facility would have been approximately \$129.3 million (approximately \$140.2 million if the underwriters

exercise their over-allotment option in full). These amounts assume a public offering price of \$10.85 per share, the last reported sales price of our Class A common stock on the New York Stock Exchange on June 17, 2009. Please read Use of Proceeds. We believe that our cash balances and availability under our revolving credit facility, in addition to our potential ability to obtain other bank financings, provides us with financial flexibility to pursue acquisition and expansion opportunities.

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### **Our Manager**

Our Manager provides us with all of our staff other than our Chief Executive Officer, Executive Vice President and Chief Financial Officer. Our board of directors and these executive officers have the authority to hire additional staff as they deem necessary.

Our Manager manages our business pursuant to a long-term management agreement (or the *Management Agreement*), under which it provides to us commercial, technical, administrative and strategic services, other than commercial services provided by other Teekay Corporation subsidiaries that operate tanker pools in which some of our vessels participate. Commercial services primarily involve vessel chartering. Technical services primarily include vessel maintenance and crewing. Administrative services primarily include accounting, legal and financial services. Strategic services primarily include providing advice on acquisitions, strategic planning and general management of our business. We pay our Manager a market-based fee for these services that includes reimbursement of the reasonable direct or indirect expenses it incurs in providing us with these services.

In order to provide our Manager with an incentive to increase our Cash Available for Distribution, under certain circumstances our Manager is entitled to a performance fee in addition to the basic fee provided in the Management Agreement. If Gross Cash Available for Distribution for a given fiscal year exceeds \$3.20 per share of our common stock (or the *Incentive Threshold*), our Manager generally will be entitled to payment of a performance fee equal to 20% of all Gross Cash Available for Distribution for such year in excess of the Incentive Threshold. *Gross Cash Available for Distribution* represents Cash Available for Distribution without giving effect to any deductions for performance fees and reduced by the amount of any reserves our board of directors may have taken during the applicable fiscal period that have not already reduced Cash Available for Distribution. Commencing January 1, 2008, we have maintained an internal account (or the *Cumulative Dividend Account*) that reflects, on an aggregate basis, the amount by which our dividends for a fiscal year are greater or less than \$2.65 per share. The Cumulative Dividend Account is intended to ensure that our stockholders receive at least \$2.65 per share in annualized dividends before any performance fee is paid. We paid our Manager a performance fee of \$1.4 million for 2008.

### **Recent Developments**

#### ***2009 First Quarter Results***

Our internal accounting records for the quarter ended March 31, 2009 include voyage revenues of \$30.5 million and income from vessel operations of \$14.9 million, compared to voyage revenues of \$33.5 million and income from vessel operations of \$19.1 million for the same period in the prior year. The decreases in our voyage revenues and income from vessel operations primarily relate to the decrease in spot time charter equivalent (or *TCE*) rates compared to the first quarter of 2008. For the first quarter of 2009, we expect an unrealized non-cash gain relating to the change in fair value of our interest rate swap derivatives as compared to an unrealized non-cash loss for the same period in 2008.

As of June 1, 2009, our cash, cash equivalents and available borrowing capacity under our revolving credit facility totaled \$71.6 million and our consolidated debt totaled \$317.0 million. Undrawn availability under our revolving credit facility will increase significantly following the closing of this offering as described above under **Our Competitive Strengths**. We have Financial Flexibility to Pursue Acquisitions and Expansion Opportunities.

The financial information provided above includes historical results of vessels acquired by us from Teekay Corporation for the period when these vessels were owned and operated by Teekay Corporation. The Suezmax tankers *Ganges Spirit* and *Narmada Spirit*, which we acquired from Teekay Corporation on April 7, 2008, were acquired by

Teekay Corporation from a third party on August 1, 2007 and are reflected in our consolidated results from that date.

Our independent registered public accounting firm has not performed a review of our preliminary financial information for the quarter ended March 31, 2009. In addition, we have not yet assessed whether the decline in market conditions caused any of our assets to be impaired for the first quarter. Any such impairment would result in an immediate charge to earnings with a corresponding reduction in stockholders' equity. As a result, the financial information for the quarter ended March 31, 2009, may be subject to change.

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***Cash Dividend for First Quarter***

On May 14, 2009, we declared a quarterly dividend of \$0.59 per share for the first quarter of 2009, representing a total cash dividend of \$14.75 million. This dividend was paid on May 29, 2009 to all stockholders of record as of May 22, 2009.

***Tanker Market***

Historically, the tanker industry has been cyclical, experiencing volatility in profitability due to changes in oil tanker demand and oil tanker supply. Demand for oil tankers is a function of several factors, including world oil demand and supply (which affect the amount of crude oil and refined products transported in tankers), and the relative locations of oil production, refining and consumption (which affects the distance over which the oil or refined products are transported). The supply of oil tankers is a function of new vessel deliveries, vessel scrapping and the conversion or loss of tonnage.

Conventional oil tankers are employed on either (a) a voyage charter basis, usually a single voyage, where the shipowner is paid on a dollar per tonne or lump sum spot market rate basis or (b) a time charter basis for a fixed period of time, generally at a fixed rate of daily hire. Because voyage charters occur in short intervals and are priced on a current market rate, the spot market is more volatile than time charters and the tanker industry generally.

As of the date of this prospectus supplement, spot tanker rates during 2009 have experienced significant declines compared to 2008 as a result of the contraction in the global economy. The economic downturn has led to shrinking global oil demand and OPEC production cutbacks of approximately 3.0 million barrels per day (or *mb/d*) since September 2008. The impact of the OPEC supply reduction has been amplified by above-average growth in the world tanker fleet.

As of June 11, 2009, the International Energy Agency forecast global oil demand to average 83.3 *mb/d* for 2009, which represents a decline of 2.5 *mb/d*, or 2.9%, from 2008.

One of the trends in the tanker market to date during 2009 has been the use of tankers as floating storage for crude oil as well as clean products, which helps tighten near term fleet availability. This trend has been driven by a contango oil price structure, where current prices are lower than prices for future deliveries.

In the first four months of 2009, the pace of tanker newbuilding deliveries increased, resulting in world tanker fleet growth of 13.4 million deadweight tonnes or 3.3%. The 2009 and 2010 newbuilding delivery schedule is higher than previous years, although factors such as newbuilding order cancellations and the International Maritime Organization's mandated phase-out target in 2010 for single hull tankers are expected to moderate tanker fleet growth.

***Our Mix of Charters***

We operate our vessels in both the spot market and under short-term (less than two years) and medium-term (at least two years but less than five years) time-charter contracts in an effort to maximize cash flow from our vessels based on our Manager's outlook for freight rates, oil tanker market conditions and global economic conditions. Our mix of vessels trading in the spot market or subject to fixed-rate time charters will change from time to time. As of June 1, 2009, six of our Aframax tankers and one of our Suezmax tankers operated under fixed-rate, time-charter contracts with our customers, with scheduled expiration dates between August 2009 and May 2012. The Suezmax fixed-rate charter has a profit share component. Our remaining three Aframax tankers and one Suezmax tanker participated in pooling arrangements primarily focused on spot voyages. As of June 1, 2009, we had fixed 57% and 44% of our anticipated operating days for the remainder of 2009 and for 2010, respectively, at an average TCE rate of

approximately \$30,000 per day. This average rate exceeds our realized average Aframax and Suezmax spot TCE rates for the period from April 1 to June 1, 2009 of approximately \$16,000 per day and approximately \$25,000 per day, respectively. The following graphs reflect the operating performance of our Aframax and Suezmax vessels operating under fixed rate time-charter contracts and spot voyage charters, measured in average TCE rates before

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pool management fees and commissions. Estimated fixed-rate time-charter TCE rates in the tables for future periods are based on the fixed time-charter rates for our applicable vessels during those periods.

**Teekay Tankers Aframax TCE Rates**

**Teekay Tankers Suezmax TCE Rates**

\* For the second quarter of 2009, represents realized average spot TCE rate from April 1 to June 1, 2009.

\* For the second quarter of 2009, represents realized average spot TCE rate from April 1 to June 1, 2009.

**Corporate Information**

We were incorporated in 2007 under the laws of the Republic of The Marshall Islands as Teekay Tankers Ltd. and maintain our principal executive headquarters at 4<sup>th</sup> Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our telephone number at such address is (441) 298-2530. Our principal operating office is located at Suite 2000, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2K2, and our telephone number at such address is (604) 683-3529. Our website address is *www.teekaytankers.com*. The information contained on our website is not part of this prospectus.

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**THE OFFERING**

Issuer	Teekay Tankers Ltd.
Class A Common stock offered	7,000,000 shares.  8,050,000 shares if the underwriters exercise their over-allotment option in full.
Shares outstanding immediately after this offering	19,500,000 shares of Class A common stock (20,550,000 shares if the underwriters exercise their over-allotment option in full) and 12,500,000 shares of Class B common stock.
Use of proceeds	We will use the net proceeds from this offering (a) to acquire a 2003-built Suezmax tanker from Teekay Corporation for \$57.0 million and (b) with the remaining net proceeds, to repay a portion of our outstanding debt under our revolving credit facility. Please read Use of Proceeds on page S-9 of this prospectus supplement.
Cash dividends	We paid a cash dividend of \$0.59 per share of common stock for the quarter ended March 31, 2009, and total dividends of \$3.39 per share for the four quarters ended December 31, 2008.  We pay a variable cash dividend each quarter on our Class A and Class B common stock of all our Cash Available for Distribution, subject to any reserves our board of directors may from time to time determine are required for the prudent conduct of our business. We currently reserve on a quarterly basis \$2.0 million for drydocking expenses and \$0.9 million for repayment obligations under our loan facility, which reserves commenced for the first quarter of 2009 and the fourth quarter of 2008, respectively. There is no guarantee that we will pay any dividends on our shares of common stock in any quarter. For additional information, please read Our Dividend Policy and Restrictions on Dividends beginning on page 6 of the accompanying prospectus.
Performance fee	If Gross Cash Available for Distribution for a given fiscal year exceeds the Incentive Threshold, our Manager, Teekay Tankers Management Services Ltd. under certain circumstances is entitled to payment of a performance fee under the Management Agreement equal to 20% of all Gross Cash Available for Distribution for such year in excess of the Incentive Threshold. The performance fee is in addition to the basic fee provided in the Management Agreement. Although the performance fee is payable on an annual basis, we accrue any amounts expected to be payable in respect of the performance fee on a quarterly basis. Accordingly, dividends to our stockholders in any quarter may be reduced due to the performance fee. For additional information, please read Our Dividend Policy and Restrictions on Dividends beginning on page 6 of the accompanying prospectus.

Class B common stock

Teekay Corporation owns indirectly all of our outstanding shares of Class B common stock. The principal difference between our Class A common stock and our Class B common stock is that each share of Class B common stock entitles the holder thereof to five votes on matters presented to our stockholders, while each share of Class A common stock entitles the holder thereof to only one vote on such

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matters. However, the voting power of the class B common stock is limited such that the aggregate voting power of all shares of outstanding Class B common stock can at no time exceed 49% of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single class. The holder of shares of Class B common stock may elect at any time to have such shares converted into shares of Class A common stock on a one-for-one basis. Please read "Description of Capital Stock" on page 8 of the accompanying prospectus for a description of other events triggering a conversion of shares of Class B common stock into shares of Class A common stock.

Tax considerations

We believe that under current U.S. federal income tax law, some portion of the distributions you receive from us will constitute dividends, and if you are an individual citizen or resident of the United States or a U.S. estate or trust and meet certain holding period requirements, then such dividends are expected to be taxable as "qualified dividend income" subject to a maximum 15% U.S. federal income tax rate (currently through 2010). Other distributions will be treated first as a non-taxable return of capital to the extent of your tax basis in your Class A common stock and thereafter as capital gain. For additional information please read "Material U.S. Federal Income Tax Considerations" beginning on page 13 of the accompanying prospectus.

NYSE Listing

Our Class A common stock is listed on the New York Stock Exchange under the symbol "TNK".

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus assumes that the underwriters do not exercise their over-allotment option.

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**RISK FACTORS**

*Before investing in our shares of Class A common stock, you should carefully consider all of the information included or incorporated by reference into this prospectus. When evaluating an investment in our shares of Class A common stock, you should carefully consider those risks discussed under the caption Risk Factors beginning on page 3 of the accompanying prospectus, as well as the discussion of risk factors beginning on page 7 of our Annual Report on Form 20-F for the year ended December 31, 2008, which is incorporated by reference into this prospectus. If any of these risks were to occur, our business, financial condition, operating results or cash flows could be materially adversely affected. In that case, our ability to pay dividends on shares of our Class A common stock may be reduced, the trading price of our common stock could decline, and you could lose all or part of your investment.*

**USE OF PROCEEDS**

We expect to receive net proceeds of approximately \$72.6 million from the sale of 7,000,000 shares of our Class A common stock, after deducting underwriting discounts and estimated expenses payable by us. We base this amount on an assumed public offering price of \$10.85 per share, the last reported sales price of our Class A common stock on the New York Stock Exchange on June 17, 2009. We expect to receive net proceeds of approximately \$83.5 million if the underwriters exercise in full their over-allotment option to purchase additional shares.

We will use the net proceeds from this offering to purchase a Suezmax tanker, the 2003-built *Ashkini Spirit*, from Teekay Corporation for \$57.0 million, with the balance to repay a portion of our outstanding debt under our revolving credit facility. Borrowings under our revolving credit facility bear interest at a fluctuating rate equal to LIBOR plus a margin. As of June 1, 2009, this interest rate was 0.60%.

Affiliates of some of the underwriters are lenders under our revolving credit facility and may receive a portion of the net proceeds from this offering to the extent that such net proceeds are applied to repay our outstanding debt under the credit facility. Please read Underwriting.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2008 on an historical basis and on an as adjusted basis to give effect to this offering and the application of the net proceeds therefrom as described under Use of Proceeds.

The historical data in the table is derived from and should be read in conjunction with our consolidated financial statements, including accompanying notes, and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations which are incorporated by reference herein from our Annual Report on Form 20-F for the year ended December 31, 2008.

	<b>As of December 31, 2008</b>	
	<b>Actual</b>	<b>As Adjusted<sup>(1)</sup></b>
	<b>(in thousands)</b>	
Total cash and cash equivalents	\$ 26,698	\$ 26,698
Long-term debt, including current portion:	\$ 328,828	\$ 313,216
Stockholders' equity:		
Common stock and additional paid-in capital	181,245	253,857
Accumulated deficit	(58,939)	(58,939)
Total stockholders' equity	122,306	194,918
Total capitalization	\$ 451,134	\$ 508,134

- (1) Estimated net offering proceeds used to calculate the As Adjusted amounts are based on the issuance of 7,000,000 shares of our Class A common stock at an assumed public offering price of \$10.85 per share, the last reported sales price of our Class A common stock on the New York Stock Exchange on June 17, 2009. If the underwriters exercise in full their over-allotment option to purchase up to 1,050,000 additional shares, we intend to use the resulting approximately \$10.9 million of additional net proceeds to repay a portion of our outstanding debt under our revolving credit facility.



**Table of Contents****PRICE RANGE OF CLASS A COMMON STOCK AND DIVIDENDS**

The authorized capital stock of Teekay Tankers Ltd. as of the date of this prospectus is 200,000,000 shares of Class A common stock, 100,000,000 shares of Class B common stock and 100,000,000 shares of preferred stock, each with a par value of \$0.01 per share. The shares of Class A common stock entitle the holder to one vote per share, while the shares of Class B common stock entitle the holder to five votes per share, subject to a 49% aggregate Class B common stock voting power maximum. As of the date of this prospectus (and excluding shares offered hereby), we have 12,500,000 shares of Class A common stock, 12,500,000 shares of Class B common stock and no shares of preferred stock issued and outstanding. Shares of our Class A common stock were first offered on the New York Stock Exchange on December 12, 2007 at an initial price of \$19.50 per share. Our Class A common stock is traded on the New York Stock Exchange under the symbol TNK.

The following table sets forth, for the periods indicated, the high and low sales prices for shares of our Class A common stock as reported on the New York Stock Exchange, and quarterly cash distributions declared per share. The closing sale price of our Class A common stock on the New York Stock Exchange on June 17, 2009, was \$10.85 per share.

<b>Years Ended</b>	<b>Price Ranges</b>		<b>Quarterly Cash Dividend per share<sup>(1)</sup></b>
	<b>High</b>	<b>Low</b>	
December 31, 2008	\$ 26.14	\$ 4.82	
December 31, 2007 <sup>(2)</sup>	23.99	19.60	
<b>Quarters Ended</b>			
June 30, 2009 <sup>(3)</sup>	13.99	9.25	
March 31, 2009	14.55	7.59	0.59
December 31, 2008	16.89	4.82	0.72
September 30, 2008	25.01	16.40	1.07
June 30, 2008	26.16	16.41	0.90
March 31, 2008	22.00	13.52	0.70
December 31, 2007 <sup>(2)</sup>	23.99	19.60	0.115 <sup>(4)</sup>
<b>Months Ended</b>			
June 30, 2009 <sup>(3)</sup>	12.90	10.52	
May 31, 2009	13.99	10.99	
April 30, 2009	12.98	9.25	
March 31, 2009	11.62	7.59	
February 28, 2009	12.93	8.75	
January 31, 2009	14.55	10.55	
December 31, 2008	12.88	7.51	

(1) Dividends are shown for the quarter with respect to which they were declared.

- (2) Period beginning December 12, 2007.
- (3) Period ending June 17, 2009.
- (4) The dividend relates to the 14-day period from December 18 to December 31, 2007.

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**Table of Contents****UNDERWRITING**

Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. are acting as joint bookrunning managers of the offering, and are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase and we have agreed to sell to that underwriter, the number of shares of our Class A common stock set forth opposite the underwriter's name.

<b>Name</b>	<b>Number of Shares</b>
Morgan Stanley & Co. Incorporated Citigroup Global Markets Inc.	
Total	7,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 1,050,000 additional shares of our Class A common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

The underwriters propose to sell some of the shares of our Class A common stock directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed \$ per share. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of our Class A common stock.

	<b>Paid by Teekay Tankers Ltd.</b>	
	<b>No Exercise</b>	<b>Full Exercise</b>
Per Share	\$	\$
Total	\$	\$
Percentage of Total Public Offering Price		

We estimate that our total expenses for this offering will be approximately \$0.3 million.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

We and each of our officers and directors, including nominees for directors, have agreed that, for a period of 60 days from the date of this prospectus, we and they will not, without the prior written consent of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., dispose of or hedge any shares of our Class A common stock or any securities convertible into or exchangeable for our Class A common stock, subject to certain exceptions. Teekay Corporation has agreed to a similar lock-up period for the shares of our Class A common stock and our Class B common stock held by it or its subsidiaries other than us that will extend for 60 days from the date of this prospectus. Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice. The representatives have no present intent or arrangement to release any of the securities subject to these lock-up agreements. The release of any lock-up is

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considered on a case-by-case basis. Factors in deciding whether to release common stock may include the length of time before the lock-up period expires, the number of shares of common stock involved, the reason for the requested release, market conditions, the trading price of our Class A common stock, historical trading volume of our Class A common stock and whether the person seeking the release is an officer, director or affiliate of us.

The restricted period described in the preceding paragraph will be extended if:

during the last 17 days of the restricted period we issue an earnings release or announce material news or a material event; or

prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the announcement of the material news or event.

Our Class A common stock is listed on the NYSE under the symbol `TNK`.

In connection with this offering, Morgan Stanley & Co. Incorporated, on behalf of the underwriters, may purchase and sell shares of our Class A common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position.

Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of our Class A common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when an underwriter repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of our Class A common stock. They may also cause the price of our Class A common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on The New York Stock Exchange or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Certain of the underwriters and their affiliates from time to time have performed investment banking, commercial banking and advisory services for our affiliates Teekay Corporation, Teekay LNG Partners L.P. and Teekay Offshore Partners L.P., for which they have received customary fees and expenses. The underwriters and their affiliates may from time to time perform investment banking and advisory services for us and our affiliates, including Teekay Corporation, and in the ordinary course of business for which they may in the future receive customary fees and

expenses.

As described in Use of Proceeds, we will use the net proceeds from this offering to purchase a Suezmax tanker, the 2003-built *Ashkini Spirit*, from Teekay Corporation for \$57.0 million, and the balance of the net proceeds will be used to repay a portion of our outstanding indebtedness under our revolving credit facility. Affiliates of some of the underwriters for this offering are lenders under this credit facility. If the net proceeds of this offering are used as proposed, it is possible that more than 10% of the net proceeds, not including underwriting compensation, will be received by members or affiliates of members of the Financial Industry Regulatory Authority (or *FINRA*)

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participating in this offering. Consequently, this offering is being conducted in compliance with FINRA Rule 5110(h) (formerly NASD Conduct Rule 2710(h)). Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with this offering, as the offering is of a class of equity securities for which a bona fide independent market exists, as such terms are defined by FINRA.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares of our Class A common stock to underwriters for sale to their online brokerage account holders. The representatives will allocate shares of our Class A common stock to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares of our Class A common stock may be sold by the underwriters to securities dealers who resell shares of our Class A common stock to online brokerage account holders.

The shares of our Class A common stock are offered for sale in those jurisdictions in the United States, Europe, the United Kingdom and elsewhere where it is lawful to make such offers.

## **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, with effect from and including the date on which the Prospectus Directive is implemented in that Member State, an offer of common stock to the public may not be made in that Member State, other than:

- (a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of common stock to the public in relation to any common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common stock to be offered so as to enable an investor to decide to purchase or subscribe the common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

## **United Kingdom**

This prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The shares of common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares of common stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.





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**LEGAL MATTERS**

The validity of the shares of our Class A common stock offered hereby and certain other legal matters with respect to the laws of the Republic of The Marshall Islands will be passed upon for us by our counsel as to Marshall Islands law, Watson, Farley & Williams (New York) LLP. Certain other legal matters will be passed upon for us by Perkins Coie LLP, Portland, Oregon, who may rely upon the opinion of Watson, Farley & Williams (New York) LLP, for all matters of Marshall Islands law. The underwriters are being represented in connection with this offering by Cravath, Swaine & Moore LLP, New York, New York.

**EXPERTS**

The consolidated financial statements of Teekay Tankers Ltd. included in its Annual Report on Form 20-F for the year ended December 31, 2008, and the effectiveness of Teekay Tankers Ltd.'s internal control over financial reporting as of December 31, 2008, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon included therein, and incorporated herein by reference. Such financial statements are, and audited financial statements to be included in subsequently filed documents will be, incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such financial statements (to the extent covered by consents filed with the SEC) given on the authority of such firm as experts in accounting and auditing.

The combined statements of income (loss), changes in owner's equity, and cash flows for the period from June 1, 2007 to July 31, 2007 (Successor), January 1, 2007 to May 31, 2007 (Predecessor) and the year ended December 31, 2006 (Predecessor) of Adair Shipping L.L.C. and Delaware Shipping L.L.C. (or the *Combined Financial Information*), included as an exhibit to the Teekay Tankers Ltd. Annual Report on Form 20-F for the year ended December 31, 2008, have been audited by Ernst & Young LLP, as set forth in their reports thereon included therein and incorporated herein by reference. The Combined Financial Information is incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form F-3 regarding the securities covered by this prospectus. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the securities offered in this prospectus, you may wish to review the full registration statement, including its exhibits. The registration statement, including the exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or from the SEC's website on the Internet at [www.sec.gov](http://www.sec.gov) free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference rooms. Our registration statement can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

As a foreign private issuer, we are exempt under the U.S. Securities Exchange Act of 1934 (or the *Exchange Act*) from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal stockholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three

quarters of each fiscal year.

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**INCORPORATION OF DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be filed with the SEC, automatically will update information previously filed with the SEC, and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

our Annual Report on Form 20-F for the year ended December 31, 2008;

all subsequent Annual Reports on Form 20-F filed prior to the termination of this offering;

all subsequent Reports on Form 6-K furnished to the SEC prior to the termination of this offering that we identify in such Reports as being incorporated by reference into the registration statement of which this prospectus is a part; and

the description of each class of our capital stock as described in our Registration Statement on Form 8-A filed with the SEC on December 3, 2007, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated herein by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost, by visiting our Internet website at [www.teekaytankers.com](http://www.teekaytankers.com), or by writing or calling us at the following address:

Teekay Tankers Ltd.  
4th Floor, Belvedere Building,  
69 Pitts Bay Road  
Hamilton HM 08, Bermuda Attn: Corporate Secretary  
(441) 298-2530

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with any information. You should not assume that the information incorporated by reference or provided in this prospectus or any accompanying prospectus supplement is accurate as of any date other than the date on the front of each document. The information contained in our website is not part of this prospectus.

**EXPENSES**

The following table sets forth estimated costs and expenses, other than any underwriting discounts and commissions, we expect to incur in connection with the issuance and distribution of the shares covered by this prospectus

supplement.

Legal fees and expenses	\$ 200,000
Accounting fees and expenses	75,000
Printing costs	20,000
Transfer agent fees	5,000
Total	\$ 300,000

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PROSPECTUS

**\$400,000,000**

**Teekay Tankers Ltd.**

Class A Common Stock

We may offer from time to time shares of Class A common stock of Teekay Tankers Ltd. The Class A common stock offered by this prospectus will have an aggregate offering price of up to \$400,000,000.

We may offer these securities directly or to or through underwriters, dealers or other agents. The names of any underwriters or dealers will be set forth in the applicable prospectus supplement. Our Class A common stock is traded on the New York Stock Exchange under the symbol **TNK**.

This prospectus provides you with a general description of the securities we may offer. Each time we offer to sell securities we will provide a prospectus supplement that will contain specific information about those securities and the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. This prospectus may be used to offer and sell securities only if accompanied by a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you invest. You should also read the documents we refer to in the **Where You Can Find More Information** and **Incorporation of Documents by Reference** sections of this prospectus for information about us and our financial statements.

**Investing in our securities involves risk. You should carefully consider each of the factors described or referred to under **Risk Factors** beginning on page 3 of this prospectus before you make an investment in our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**June 5, 2009**

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents incorporated by reference into this prospectus. We have not authorized anyone else to give you different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not offering these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus or any prospectus supplement, as well as the information we previously filed with the U.S. Securities and Exchange Commission (or *SEC*) that is incorporated by reference into this prospectus, is accurate as of any date other than its respective date. We will disclose material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement on Form F-3 that we have filed with the SEC using a shelf registration process. Under this shelf registration process, we may sell shares of Class A common stock described in this prospectus in one or more offerings up to an aggregate offering price of \$400,000,000. This prospectus generally describes us and the securities we may offer. Each time we offer securities with this prospectus, we will provide this prospectus and a prospectus supplement that will describe, among other things, the specific amounts and prices of the securities being offered and the terms of the offering. The prospectus supplement may also add to, update or change information in this prospectus. If information varies between this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement.

Unless otherwise indicated, references in this prospectus to Teekay Tankers Ltd., we, us and our and similar terms refer to Teekay Tankers Ltd. and/or one or more of its subsidiaries, except that those terms, when used in this prospectus in connection with the common stock described herein, shall mean specifically Teekay Tankers Ltd. References in this prospectus to Teekay Corporation refer to Teekay Corporation and/or any one or more of its subsidiaries. References to our Manager are to Teekay Tankers Management Services Ltd., a subsidiary of Teekay Corporation.

Unless otherwise indicated, all references in this prospectus to dollars and \$ are to, and amounts are presented in, U.S. Dollars, and financial information presented in this prospectus is prepared in accordance with accounting principles generally accepted in the United States (or *GAAP*).

You should read carefully this prospectus, any prospectus supplement, and the additional information described below under the headings Where You Can Find More Information and Incorporation of Documents by Reference.

**FORWARD-LOOKING STATEMENTS**

All statements, other than statements of historical fact, included in or incorporated by reference into this prospectus and any prospectus supplements are forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business, and the markets in which we operate. In some cases, you can identify the forward-looking statements by the use of words such as may, will, could, should, would, expect, plan, anticipate, intend, forecast, believe, estimate, predict, propose, or negative of these terms or other comparable terminology.

These and other forward-looking statements are subject to the risks, uncertainties and assumptions, including those risks discussed in Risk Factors set forth in this prospectus and those risks discussed in other reports we file with the SEC and that are incorporated into this prospectus by reference, including, without limitation, our Annual Report on Form 20-F for the fiscal year ended December 31, 2008. The risks, uncertainties and assumptions involve known and unknown risks and are inherently subject to significant uncertainties and contingencies, many of which are beyond our control.

Forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events affecting us and, therefore, involve a number of risks and uncertainties, including those risks discussed in Risk Factors and otherwise incorporated by reference into this prospectus. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.



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**TEEKAY TANKERS LTD.**

Our business is to own oil tankers and we employ a chartering strategy that seeks to capture upside opportunities in the tanker spot market while using fixed-rate time charters to reduce downside risks. We were formed by Teekay Corporation (NYSE: TK) a leading provider of marine services to the global oil and gas industries and the world's largest operator of medium-sized oil tankers to acquire from it a fleet of double-hull oil tankers in connection with our initial public offering in December 2007. As of the date of this prospectus our fleet includes nine Aframax-class tankers and two Suezmax-class tankers. Our growth strategy focuses on expanding our fleet through accretive acquisitions and seeking to tactically manage our mix of spot and time-charter contracts to maximize dividends on a per-share basis. Through the participation of a significant number of our vessels in pooling arrangements managed by subsidiaries of Teekay Corporation and in which certain of its tankers participate, we expect to benefit from Teekay Corporation's reputation and the scope of Teekay Corporation's operations in increasing our cash flow. We also expect to benefit from Teekay Corporation's expertise, relationships and reputation in operating our fleet and pursuing growth opportunities. Teekay Corporation currently holds a majority of the voting power of our common stock.

We distribute to our stockholders on a quarterly basis all of our Cash Available for Distribution, subject to any reserves our board of directors may from time to time determine are required for the prudent conduct of our business. *Cash Available for Distribution* represents our net income (loss) plus depreciation and amortization, unrealized losses from derivatives, non-cash items and any write-offs or other non-recurring items less unrealized gains from derivatives.

Our operations are managed by our Manager, under the supervision of our executive officers and board of directors. We have entered into a long-term management agreement (the *Management Agreement*) pursuant to which our Manager and its affiliates provide to us commercial, technical, administrative and strategic services. We pay our Manager a market-based fee for these services. In order to provide our Manager with an incentive to increase our Cash Available for Distribution, we have agreed to pay a performance fee to our Manager under certain circumstances, in addition to the basic fee provided in the Management Agreement.

We are incorporated under the laws of the Republic of The Marshall Islands as Teekay Tankers Ltd. Our principal executive offices are located at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton HM 08, Bermuda, and our phone number is (441) 298-2530. Our principal operating office is located at Suite 2000, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2K2, and our telephone number at such address is (604) 683-3529. Our website address is [www.teekaytankers.com](http://www.teekaytankers.com). The information contained in our website is not part of this prospectus.

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**RISK FACTORS**

*An investment in our Class A common stock involves a high degree of risk. When evaluating an investment in our Class A common stock, you should carefully consider the following risk factors together with all other information included in this prospectus, including those risks discussed under the caption Risk Factors in our latest Annual Report on Form 20-F filed with the SEC, which are incorporated by reference into this prospectus, and information included in any applicable prospectus supplement.*

*If any of these risks were to occur, our business, financial condition, operating results or cash flows could be materially adversely affected. In that case, our ability to pay dividends on shares of our Class A common stock may be reduced, the trading price of our Class A common stock could decline, and you could lose all or part of your investment.*

***If the stock price of our Class A common stock fluctuates after any offering related to this prospectus, you could lose a significant part of your investment.***

The market price of our Class A common stock may be influenced by many factors, many of which are beyond our control, including those described under the caption Risk Factors in our latest Annual Report on Form 20-F filed with the SEC, and the following:

the failure of securities analysts to publish research about us after the offering, or analysts making changes in their financial estimates;

announcements by us or our competitors of significant contracts, acquisitions or capital commitments;

variations in quarterly operating results;

general economic or financial market conditions;

terrorist acts;

future sales of our Class A common stock or other securities; and

investors' perception of us and the seaborne oil transportation industry.

As a result of these factors, investors in our Class A common stock may not be able to resell their shares at or above the offering price. These broad market and industry factors may materially reduce the market price of our Class A common stock regardless of our operating performance.

***Anti-takeover provisions in our organizational documents could make it difficult for our stockholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which may adversely affect the market price of our Class A common stock.***

Several provisions of our articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that our stockholders may consider favorable.

These provisions include:

a dual-class common stock structure that currently gives Teekay Corporation and its affiliates control over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;

authorizing our board of directors to issue blank check preferred shares without stockholder approval;

prohibiting cumulative voting in the election of directors;

authorizing the removal of directors, with or without cause, only by the affirmative vote of the holders of a majority of the voting power of our outstanding capital stock or by directors constituting at least two-thirds of the entire board of directors, unless Teekay Corporation and its affiliates no longer hold a majority of the

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voting power of our outstanding capital stock, in which case directors may only be removed for cause and only by the affirmative vote of the holders of not less than 80% of the total voting power of our outstanding capital stock;

limiting the persons who may call special meetings of stockholders; and

establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

These anti-takeover provisions could substantially impede the ability of our Class A common stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our Class A common stock and your ability to realize any potential change-in-control premium.

***We may issue additional shares of Class A common stock, Class B common stock or other securities without your approval, which would dilute your ownership interests and may depress the market price of the Class A common stock.***

We may issue additional shares of Class A common stock, Class B common stock and other equity securities of equal or senior rank, without stockholder approval, in a number of circumstances.

The issuance by us of additional shares of Class A common stock, Class B common stock or other equity securities of equal or senior rank will have the following effects:

our existing stockholders' proportionate ownership interest in us will decrease;

the amount of cash available for dividends payable on our common stock may decrease;

the relative voting strength of each previously outstanding share may be diminished; and

the market price of our Class A common stock may decline.

***U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. holders.***

A foreign entity taxed as a corporation for U.S. federal income tax purposes will be treated as a passive foreign investment company (or PFIC) for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of certain types of passive income, or at least 50.0% of the average value of the entity's assets 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 that 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. While there are legal uncertainties involved in this determination, our counsel, Perkins Coie LLP, is of the opinion that it is more likely than not that we would not be treated as a PFIC based on certain representations that we have made to them regarding the composition of our assets, the source of our income, and the nature of our activities and other operations following this offering. In addition to these representations, the opinion of Perkins Coie LLP that it is more likely than not that we would not be a PFIC is based principally on the position that at least a majority, if not all, of the gross income we derive from our time and voyage charters (as a participant in one of our pooling arrangements or otherwise) is services income, rather than rental income.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation and, therefore, no assurance can be given that the IRS will accept this position or that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations. Moreover, a recent decision of the United States Court of Appeals for the Fifth Circuit in *Tidewater Inc. v. United States*, No. 08-30268 (5th Cir. Apr. 13, 2009) held that income derived from certain time-chartering activities should be treated as rental income rather than services income. However, the issues in this case arose under the foreign sales corporation rules of the U.S. Internal Revenue Code of 1986, as amended (or the *Code*), and did not concern the PFIC rules. In addition, the court's ruling was contrary to the position of the U.S. Internal Revenue Service (or *IRS*) that the time-charter income should be treated as services income. As a result, it is uncertain whether the principles of the *Tidewater* decision

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would be applicable to our operations. However, if the principles of the Tidewater decision were applicable to all of our operations, Perkins Coie LLP is of the opinion that we likely would be treated as a PFIC.

If the IRS were to find that we are or have been a PFIC for any taxable year, U.S. stockholders will face adverse tax consequences. Under the PFIC rules, unless those stockholders make certain elections available under the Code, such stockholders would be taxable at ordinary income tax rates rather than the special 15% tax rate on our dividends, and would be liable to pay U.S. federal income tax at the ordinary income tax rates plus interest upon certain distributions and upon any gain from the disposition of our common stock, as if such distribution or gain had been recognized ratably over the stockholder's holding period. Please read Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders Consequences of Possible PFIC Classification.

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**USE OF PROCEEDS**

Unless we specify otherwise in any prospectus supplement, we will use the net proceeds from our sale of securities covered by this prospectus for general corporate purposes, which may include, among other things:

paying or refinancing all or a portion of our indebtedness outstanding at the time; and

funding working capital, capital expenditures or acquisitions.

The actual application of proceeds from the sale of any particular offering of securities covered by this prospectus will be described in the applicable prospectus supplement relating to the offering.

**OUR DIVIDEND POLICY AND RESTRICTIONS ON DIVIDENDS**

*You should read the following discussion of our dividend policy and restrictions on dividends in conjunction with specific assumptions included in this section. In addition, you should read Forward-Looking Statements and Risk Factors for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in our business.*

**Our Dividend Policy**

Our dividend policy reflects a basic judgment that our stockholders will be better served by our distributing our Cash Available for Distribution rather than by our retaining it. We believe that we will generally finance any capital expenditures from external financing sources rather than cash flows from operations.

Our board of directors has adopted a dividend policy to pay a variable quarterly dividend equal to our Cash Available for Distribution during the previous quarter, subject to any reserves our board of directors may from time to time determine are required. If we declare a dividend in respect of a quarter in which an equity issuance has taken place, we may choose to calculate the dividend per share by dividing our Cash Available for Distribution for this quarter by the weighted-average number of shares outstanding over the quarter and, if required, borrow additional amounts to permit us to pay this dividend amount on each share outstanding at the end of the quarter. Dividends are paid equally on a per-share basis between our Class A common stock and our Class B common stock. *Cash Available for Distribution* represents our net income (loss) plus depreciation and amortization, unrealized losses from derivatives, non-cash items and any write-offs or other non-recurring items less unrealized gains from derivatives.

**Limitations on Dividends and Our Ability to Change Our Dividend Policy**

There is no guarantee that our stockholders will receive quarterly dividends from us. Our dividend policy may be changed at any time by our board of directors and is subject to certain restrictions, including:

Our stockholders have no contractual or other legal right to receive dividends.

Our board of directors has authority to establish reserves for the prudent conduct of our business, after giving effect to contingent liabilities, the terms of our credit facilities, our other cash needs and the requirements of Marshall Islands law. The establishment of these reserves could result in a reduction in dividends to you.

Our board of directors may modify or terminate our dividend policy at any time. Even if our dividend policy is not modified or revoked, the amount of dividends we pay under our dividend policy and the decision to pay any dividend is determined by our board of directors.

Marshall Islands law generally prohibits the payment of a dividend when a company is insolvent or would be rendered insolvent by the payment of such a dividend or when the declaration or payment would be contrary to any restriction contained in the company's articles of incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.



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We may lack sufficient cash to pay dividends due to decreases in net voyage revenues or increases in operating expenses, principal and interest payments on outstanding debt, tax expenses, working capital requirements, capital expenditures or other anticipated or unanticipated cash needs.

Our dividend policy will be affected by restrictions on distributions under our credit facilities, which contain material financial tests and covenants that must be satisfied. If we are unable to satisfy these restrictions included in the credit facilities or if we are otherwise in default under the facilities, we would be prohibited from making cash distributions to you, notwithstanding our stated cash dividend policy.

While we intend that future acquisitions to expand our fleet will enhance our ability to pay dividends over time, acquisitions could limit our Cash Available for Distribution.

Our ability to make distributions to our stockholders will depend upon the performance of our ship-owning subsidiaries, which are our principal cash-generating assets, and their ability to distribute funds to us. The ability of our ship-owning or other subsidiaries to make distributions to us may be restricted by, among other things, the provisions of existing or future indebtedness, applicable corporate or limited liability company laws and other laws and regulations.

If Gross Cash Available for Distribution for a given fiscal year exceeds \$3.20 per share of our common stock (or the *Incentive Threshold*), our Manager generally will be entitled to payment of a performance fee under the Management Agreement equal to 20% of all Gross Cash Available for Distribution for such year in excess of the Incentive Threshold. *Gross Cash Available for Distribution* represents Cash Available for Distribution without giving effect to any deductions for performance fees and reduced by the amount of any reserves our board of directors may have taken during the applicable fiscal period that have not already reduced Cash Available for Distribution. Although the performance fee is payable on an annual basis, we accrue any amounts expected to be payable in respect of the performance fee on a quarterly basis. Accordingly, dividends to our stockholders in any quarter may be reduced due to the performance fee. Commencing January 1, 2008, we have maintained an internal account (or the *Cumulative Dividend Account*) that reflects, on an aggregate basis, the amount by which our dividends for a fiscal year are greater or less than \$2.65 per share (subject to adjustments for stock dividends, splits, combinations and similar events). The Cumulative Dividend Account is intended to ensure that our stockholders receive at least \$2.65 per share in annualized dividends before any performance fee is paid. We have a limited operating history upon which to rely with respect to whether we will have sufficient cash available to pay for dividends on our common stock. In addition, the tanker charter market is highly volatile, and we cannot accurately predict the amount of cash distributions, if any, that we may make in any period. The extent to which we employ our vessels in the spot market may increase the volatility of our dividends. Factors beyond our control may also affect the charter market for our vessels, our charterers' ability to satisfy their contractual obligations to us, and our voyage and operating expenses.

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**DESCRIPTION OF CAPITAL STOCK**

**Authorized Capitalization**

Our authorized capital stock consists of 400,000,000 shares, of which:

200,000,000 shares are designated as Class A common stock, par value \$0.01 per share;

100,000,000 shares are designated as Class B common stock, par value \$0.01 per share; and

100,000,000 shares are designated as preferred stock, par value \$0.01 per share.

**Common Stock**

***Voting Rights***

Holders of our Class A and Class B common stock have identical rights, except that holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to five votes per share. However, the voting power of the Class B common stock is limited such that the aggregate voting power of all shares of outstanding Class B common stock can at no time exceed 49% of the voting power of our outstanding Class A common stock and Class B common stock, voting together as a single class. Except as otherwise provided by the Business Corporations Act of the Republic of The Marshall Islands (or the *Marshall Islands Act*), holders of shares of Class A common stock and Class B common stock will vote together as a single class on all matters submitted to a vote of stockholders, including the election of directors.

Marshall Islands law generally provides that the holders of a class of stock are entitled to a separate class vote on any proposed amendment to our articles of incorporation that would change the aggregate number of authorized shares or the par value of that class of shares or alter or change the powers, preferences or special rights of that class so as to affect it adversely.

***Dividends***

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock and Class B common stock shall be entitled to share equally in any dividends that our board of directors may declare from time to time out of funds legally available for dividends. In the event a dividend is paid in the form of shares of common stock or rights to acquire shares of common stock, the holders of Class A common stock shall receive Class A common stock, or rights to acquire Class A common stock, as the case may be, and the holders of Class B common stock shall receive Class B common stock, or rights to acquire Class B common stock, as the case may be.

Marshall Islands law generally prohibits the payment of a dividend when a company is insolvent or would be rendered insolvent by the payment of such a dividend or when the declaration or payment would be contrary to any restrictions contained in the company's articles of incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.

***Liquidation Rights***

Upon our liquidation, dissolution or winding-up, the holders of Class A common stock and Class B common stock shall be entitled to receive the same amount per share of common stock of all our assets remaining after the payment of any liabilities and the satisfaction of any liquidation preferences on any outstanding preferred stock.

***Conversion***

Shares of our Class A common stock are not convertible into any other shares of our capital stock.

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Each share of Class B common stock is convertible at any time at the option of the holder thereof into one share of Class A common stock. In addition:

upon any transfer of shares of Class B common stock to a holder other than Teekay Corporation (or any of its affiliates or any successor to Teekay Corporation's business or to all or substantially all of its assets), such transferred shares of Class B common stock shall automatically convert into Class A common stock upon such transfer; and

all shares of our Class B common stock will automatically convert into shares of our Class A common stock if the aggregate number of outstanding shares of Class A common stock and Class B common stock beneficially owned by Teekay Corporation and its affiliates falls below 15% of the aggregate number of outstanding shares of our common stock.

All such conversions will be effected on a one-for-one basis.

Once converted into Class A common stock, shares of Class B common stock shall not be reissued. No class of common stock may be subdivided or combined unless the other class of common stock concurrently is subdivided or combined in the same proportion and in the same manner.

## ***Other Rights***

Holders of our common stock do not have redemption or preemptive rights to subscribe for any of our securities. The rights, preferences and privileges of holders of our common stock are subject to the rights of the holders of any shares of preferred stock that we may issue in the future.

## **Preferred Stock**

Our articles of incorporation authorize our board of directors to establish one or more series of preferred stock and to determine, with respect to any series of preferred stock, the terms and rights of that series, including:

the designation of the series;

the number of shares of the series;

the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and

the voting rights, if any, of the holders of the series.

## **Directors**

Our directors are elected by a plurality of the votes cast by stockholders entitled to vote. There is no provision for cumulative voting.

Our articles of incorporation provide that our board of directors must consist of at least three members. Stockholders may change the number of directors only by the affirmative vote of holders of a majority of the voting power of all outstanding shares of our capital stock. However, from and after the date that Teekay Corporation and its subsidiaries (other than us and our subsidiaries) cease to beneficially own shares representing a majority of the total voting power of our outstanding capital stock, stockholders may change the number of directors only by the affirmative vote of not

less than 80% of the total voting power of our outstanding capital stock. The board of directors may change the number of directors only by a majority vote of the entire board.

### **Stockholder Meetings**

Under our bylaws, annual general meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. If we fail to hold an annual meeting within 90 days of the designated date, a special meeting in lieu of an annual meeting may be called by stockholders holding not less than 10% of the voting power of all outstanding shares entitled to vote at such meeting. Other than such a meeting in lieu of an annual meeting, special meetings of stockholders may be called only by the chairman of our board of

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directors or our chief executive officer, at the direction of our board of directors as set forth in a resolution stating the purpose or purposes thereof approved by a majority of the entire board of directors, or by Teekay Corporation so long as Teekay Corporation and its affiliates (other than us and our subsidiaries) beneficially own at least a majority of the total voting power of our outstanding capital stock. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the stockholders that will be eligible to receive notice of and vote at the meeting.

### **Dissenters Rights of Appraisal and Payment**

Under the Marshall Islands Act, our stockholders have the right to dissent from various corporate actions, including any merger or consolidation or sale of all or substantially all of our assets, and receive payment of the fair value of their shares. In the event of any amendment of our articles of incorporation, a stockholder also has the right to dissent and receive payment for the stockholder's shares if the amendment alters certain rights in respect of those shares. The dissenting stockholder must follow the procedures set forth in the Marshall Islands Act to receive payment. If we and any dissenting stockholder fail to agree on a price for the shares, the Marshall Islands Act procedures involve, among other things, the institution of proceedings in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange.

### **Stockholders Derivative Actions**

Under the Marshall Islands Act, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

### **Limitations on Director Liability and Indemnification of Directors and Officers**

The Marshall Islands Act authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our articles of incorporation include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent permitted by law.

Our articles of incorporation also provide that we must indemnify our directors and officers to the fullest extent permitted by law. We are also expressly authorized to advance certain expenses (including attorneys' fees and disbursements and court costs) to our directors and officers and to carry directors' and officers' insurance providing indemnification for our directors and officers for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and officers.

The limitation of liability and indemnification provisions in our articles of incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against our directors and officers pursuant to these indemnification provisions.

Our articles of incorporation also renounce in favor of Teekay Corporation business opportunities that may be attractive to both Teekay Corporation and us. This provision effectively limits the fiduciary duties we or our stockholders otherwise may be owed regarding these business opportunities by our directors and officers who also serve as directors or officers of Teekay Corporation or its other affiliates. If Teekay Corporation or its affiliates no longer beneficially own shares representing at least 20% of the total voting power of our outstanding capital stock, and

no person who is an officer or director of us is also an officer or director of Teekay Corporation or its other affiliates, then this business opportunity provision of our articles of incorporation will terminate.

There is currently no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification is being sought.

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**Anti-Takeover Effect of Certain Provisions of Our Articles of Incorporation and Bylaws**

Several provisions of our articles of incorporation and bylaws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of us by means of a tender offer, a proxy contest or otherwise that a stockholder may consider in its best interest and (2) the removal of incumbent officers and directors.

***Dual-Class Structure***

As discussed above, our Class B common stock has five votes per share, subject to a 49% aggregate Class B common stock voting power maximum, while our Class A common stock has one vote per share. Teekay Corporation controls all of our outstanding Class B common stock, representing 49% of the voting power of our outstanding capital stock, in addition to shares of Class A common stock it controls. Because of our dual-class structure, Teekay Corporation will be able to continue to control all matters submitted to our stockholders for approval even if it and its affiliates come to own significantly less than 50% of the shares of our outstanding common stock. This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial.

***Blank Check Preferred Stock***

Under the terms of our articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 100 million shares of blank check preferred stock. Our board could authorize the issuance of preferred stock with voting or conversion rights that could dilute the voting power or rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of us or the removal of our management and might harm the market price of our Class A common stock. We have no current plans to issue any shares of preferred stock.

***Election and Removal of Directors***

Our articles of incorporation prohibit cumulative voting in the election of directors. Our bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Our bylaws provide that stockholders are required to give us advance notice of any person they wish to propose for election as a director at an annual general meeting if that person is not proposed by our board of directors. These advance notice provisions provide that the stockholder must have given written notice of such proposal not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual general meeting. In the event the annual general meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder must be given not later than 10 days following the earlier of the date on which notice of the annual general meeting was mailed to stockholders or the date on which public disclosure of the date of the annual general meeting was made.

Our stockholders may not call special meetings for the purpose of electing directors except in lieu of an annual meeting as discussed above or to replace a director being removed by the stockholders. Our articles of incorporation provide that any director or our entire board of directors may be removed at any time, with or without cause, by the affirmative vote of the holders of a majority of the total voting power of our outstanding capital stock or by directors



constituting at least two-thirds of the entire board of directors. However, from and after the date that Teekay Corporation and its affiliates (other than us and our subsidiaries) cease to beneficially own shares representing a majority of the total voting power of our outstanding capital stock, directors may only be removed for cause and only by the affirmative vote of the holders of not less than 80% of the total voting power of our outstanding capital stock.

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***Limited Actions by Stockholders***

Our bylaws provide that any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of stockholders or by the unanimous written consent of our stockholders, provided that if the Marshall Islands Act in the future permits action to be taken by less than unanimous written consent of our stockholders, the holders of voting power sufficient to take such specified action may do so by written consent so long as Teekay Corporation and its affiliates (other than us and our subsidiaries) beneficially own shares representing a majority of the total voting power of our outstanding capital stock. Our bylaws provide that, subject to certain limited exceptions, only (a) our Chairman or Chief Executive Officer, at the direction of the board of directors, or (b) Teekay Corporation, so long as Teekay Corporation and its affiliates (other than us and our subsidiaries) beneficially own at least a majority of the total voting power of our outstanding capital stock, may call special meetings of our stockholders, and the business transacted at the special meeting is limited to the purposes stated in the notice. Accordingly, a stockholder may be prevented from calling a special meeting for stockholder consideration of a proposal over the opposition of our board of directors and stockholder consideration of a proposal may be delayed until the next annual general meeting.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to prospective stockholders and, unless otherwise noted in the following discussion, is the opinion of Perkins Coie LLP, our U.S. counsel, insofar as it relates to matters of U.S. federal income tax law and legal conclusions with respect to those matters. The opinion of our counsel is dependent on the accuracy of representations made by us to them as to factual matters only, including descriptions of our operations contained herein.

This discussion is based upon provisions of the U.S. Internal Revenue Code of 1986, as amended (or the *Code*) as in effect on the date of this prospectus supplement, existing final and temporary regulations thereunder (or *Treasury Regulations*), and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to we, our or us are references to Teekay Tankers Ltd.

The following summary does not comment on all aspects of U.S. federal income taxation which may be important to particular stockholders in light of their individual circumstances, such as stockholders subject to special tax rules (*e.g.*, financial institutions, insurance companies, broker-dealers, tax-exempt organizations, or former citizens or long-term residents of the United States) or to persons that will hold the common stock as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, partnerships or their partners, or to persons that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity taxed as a pass-through entity holds our common stock, the tax treatment of a partner or owner thereof generally will depend upon the status of the partner or owner and upon the activities of the partnership or pass-through entity. If you are a partner in a partnership or owner of a pass-through entity holding our common stock, you should consult your tax advisor.

No ruling has been or will be requested from the Internal Revenue Service (or the *IRS*) regarding any matter affecting us or prospective stockholders. Instead, we will rely on the opinion of Perkins Coie LLP. Unlike a ruling, an opinion of counsel represents only that counsel's best legal judgment and does not bind the IRS or the courts. Accordingly, the opinions and statements made here may not be sustained by a court if contested by the IRS.

This summary does not discuss any U.S. state or local, estate or alternative minimum tax considerations regarding the ownership or disposition of common stock. This summary is written for stockholders that hold their common stock as a capital asset under the Code. Each stockholder is urged to consult its tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of common stock.

**United States Federal Income Taxation of U.S. Holders**

As used herein, the term *U.S. Holder* means a beneficial owner of our common stock that is a U.S. citizen or resident (as determined for U.S. federal income tax purposes), U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

***Distributions***

Subject to the discussion of passive foreign investment companies (or *PFICs*) below, any distributions made by us with respect to our common stock to a U.S. Holder generally will constitute dividends, which may be taxable as ordinary income or qualified dividend income as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. U.S. Holders that are corporations generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock generally will be treated as passive

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category income or, in the case of certain types of U.S. Holders, general category income for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate (or a *U.S. Individual Holder*) will be treated as qualified dividend income that currently is taxable to such U.S. Individual Holder at preferential capital gain tax rates provided that: (i) our common stock is readily tradable on an established securities market in the United States (such as the New York Stock Exchange on which we expect our common stock will be traded); (ii) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be, as discussed below); (iii) the U.S. Individual Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock become ex-dividend; and (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a U.S. Individual Holder. Any dividends paid on our common stock not eligible for these preferential rates will be taxed at ordinary graduated tax rates. In the absence of legislation extending the term of the preferential tax rates for qualified dividend income, all dividends received by a taxpayer in tax years beginning on January 1, 2011 or later will be taxed at ordinary graduated tax rates.

Special rules may apply to any extraordinary dividend paid by us. An extraordinary dividend generally is a dividend with respect to a share of stock if the amount of the dividend equals or exceeds 10.0% of a stockholder's adjusted basis (or fair market value in certain circumstances) in such stock. If we pay an extraordinary dividend on our common stock that is treated as qualified dividend income, then any loss derived by a U.S. Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

***Consequences of Possible PFIC Classification***

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to a look through rule, either: (i) at least 75.0% of its gross income is passive income; or (ii) at least 50.0% of the average value of its assets is attributable to assets that produce passive income or are held for the production 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 that 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. While there are legal uncertainties involved in this determination, our counsel, Perkins Coie LLP, is of the opinion that it is more likely than not that we would not be treated as a PFIC based on certain representations that we have made to them regarding the composition of our assets, the source of our income, and the nature of our activities and other operations following this offering, including:

The income derived from our participation in pooling arrangements and from our other time and voyage charters will be greater than 25.0% of our total gross income at all relevant times; and

The gross value of our vessels participating in pooling arrangements and servicing our other time and voyage charters will exceed the gross value of all other assets we own at all relevant times.

In addition to these representations, the opinion of Perkins Coie LLP that it is more likely than not that we would not be a PFIC is based principally on the position that at least a majority, if not all, of the gross income we derive from our time and voyage charters (as a participant in one of our pooling arrangements or otherwise) is services income, rather than rental income. There is, however, no direct legal authority under the PFIC rules addressing our method of

operation and, therefore no assurance can be given that the IRS will accept this position or that we would not constitute a PFIC for any future taxable year if there were to be changes in our assets, income or operations. Moreover, a recent decision of the United States Court of Appeals for the Fifth Circuit in *Tidewater Inc. v. United States*, No. 08-30268 (5th Cir. Apr. 13, 2009) held that income derived from certain time-chartering

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activities should be treated as rental income rather than services income. However, the issues in this case arose under the foreign sales corporation rules of the Code and did not concern the PFIC rules. In addition, the court's ruling was contrary to the position of the IRS that the time-charter income should be treated as services income. As a result, it is uncertain whether the principles of the Tidewater decision would be applicable to our operations. However, if the principles of the Tidewater decision were applicable to all of our operations, Perkins Coie LLP is of the opinion that we likely would be treated as a PFIC.

If we were classified as a PFIC, for any year during which a U.S. Holder owns common stock, such U.S. Holder generally will be subject to special rules (regardless of whether we continue thereafter to be a PFIC) with respect to: (i) any excess distribution (generally, any distribution received by a stockholder in a taxable year that is greater than 125.0% of the average annual distributions received by the stockholder in the three preceding taxable years or, if shorter, the stockholder's holding period for the shares), and (ii) any gain realized upon the sale or other disposition of shares. Under these rules:

the excess distribution or gain will be allocated ratably over the stockholder's holding period;

the amount allocated to the current taxable year and any year prior to the first year in which we were a PFIC will be taxed as ordinary income in the current year;

the amount allocated to each of the other taxable years in the stockholder's holding period will be subject to U.S. federal income tax at the highest rate in effect for the applicable class of taxpayer for that year; and

an interest charge for the deemed deferral benefit will be imposed with respect to the resulting tax attributable to each such other taxable year.

Certain elections that would alter the tax consequences to a U.S. Holder, such as a qualified electing fund election or mark to market election, may be available to a U.S. Holder if we are classified as a PFIC. If we determine that we are or will be a PFIC, we will provide stockholders with information concerning the potential availability of such elections.

As described above, current law provides that dividends received by a U.S. Individual Holder from a qualified foreign corporation are subject to U.S. federal income tax at preferential rates through 2010. However, if we are classified as a PFIC for a taxable year in which we pay a dividend or the immediately preceding taxable year, we would not be considered a qualified foreign corporation, and a U.S. Individual Holder receiving such dividends would not be eligible for the reduced rate of U.S. federal income tax.

### ***Consequences of Possible Controlled Foreign Corporation Classification***

If more than 50.0% of either the total combined voting power of our outstanding stock entitled to vote or the total value of all of our outstanding stock were owned, directly, indirectly or constructively, by citizens or residents of the United States, U.S. partnerships or corporations, or U.S. estates or trusts (as defined for U.S. federal income tax purposes), each of which owned, directly, indirectly or constructively, 10.0% or more of the total combined voting power of our outstanding stock entitled to vote (each, a *United States Stockholder*), we generally would be treated as a controlled foreign corporation (or *CFC*). United States Stockholders of a CFC are treated as receiving current distributions of their shares of certain income of the CFC (not including, under current law, certain undistributed earnings attributable to shipping income) without regard to any actual distributions and are subject to other burdensome U.S. federal income tax and administrative requirements but generally are not also subject to the requirements generally applicable to owners of a PFIC. Although we are not a CFC as of the date of this Annual Report, U.S. persons purchasing a substantial interest in us should consult their tax advisors about the potential

implications of being treated as a United States Stockholder in the event we were to become a CFC in the future.

***Sale, Exchange or other Disposition of Common Stock***

Assuming we do not constitute a PFIC for any taxable year, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in such stock. Subject to the discussion of extraordinary dividends above, such gain or loss will be treated as long-



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term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition, and subject to preferential capital gain tax rates. Such capital gain or loss generally will be treated as U.S. source gain or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations. A disposition or sale of shares by a stockholder who owns, or has owned, 10.0% or more of the total voting power of us may result in a different tax treatment under Section 1248 of the Code. U.S. Holder's purchasing a substantial interest in us should consult their tax advisors.

### **United States Federal Income Taxation of Non-U.S. Holders**

A beneficial owner of our common stock (other than a partnership, including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is a *Non-U.S. Holder*.

#### ***Distributions***

Distributions we pay to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, distributions we pay will be subject to U.S. federal income tax to the extent those distributions constitute income effectively connected with that Non-U.S. Holder's U.S. trade or business. However, distributions paid to a Non-U.S. Holder who is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income represented thereby is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

#### ***Disposition of Common Stock***

The U.S. federal income taxation of Non-U.S. Holders on any gain resulting from the disposition of our common stock generally is the same as described above regarding distributions. However, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common stock if they are present in the United States for 183 days or more during the taxable year in which those shares are disposed and meet certain other requirements.

#### ***Backup Withholding and Information Reporting***

In general, payments of distributions or the proceeds of a disposition of common stock to a non-corporate U.S. Holder will be subject to information reporting requirements. These payments to a non-corporate U.S. Holder also may be subject to backup withholding if the non-corporate U.S. Holder:

fails to provide an accurate taxpayer identification number;

is notified by the IRS that it has failed to report all interest or distributions required to be shown on its U.S. federal income tax returns; or

in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding on payments within the United States by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a stockholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and a refund of any amounts withheld in excess of such liability) by filing a return with the IRS.



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**NON-UNITED STATES TAX CONSIDERATIONS**

**Marshall Islands Tax Considerations**

The following discussion is based upon the opinion of Watson, Farley & Williams (New York) LLP, our counsel as to matters of the laws of the Republic of The Marshall Islands, and the current laws of the Republic of The Marshall Islands and is applicable only to persons who do not reside in, maintain offices in or engage in business in the Republic of The Marshall Islands.

Because we and our subsidiaries do not, and we do not expect that we or any of our subsidiaries will, conduct business or operations in the Republic of The Marshall Islands, and because we anticipate that all documentation related to any offerings pursuant to this prospectus will be executed outside of the Republic of The Marshall Islands, under current Marshall Islands law you will not be subject to Marshall Islands taxation or withholding on distributions. In addition, you will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of shares of Class A common stock, and you will not be required by the Republic of The Marshall Islands to file a tax return relating to the shares of Class A common stock.

It is the responsibility of each stockholder to investigate the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of its investment in us. Accordingly, each stockholder is urged to consult its tax counsel or other advisor with regard to those matters. Further, it is the responsibility of each stockholder to file all state, local and non-U.S., as well as U.S. federal, tax returns that may be required of him.

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**PLAN OF DISTRIBUTION**

We may sell the securities offered by this prospectus and applicable prospectus supplements:

through underwriters or dealers;

through agents;

directly to purchasers; or

through a combination of any such methods of sale.

If underwriters are used to sell securities, we will enter into an underwriting agreement or similar agreement with them at the time of the sale to them. In that connection, underwriters may receive compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agent. Any such underwriter, dealer or agent may be deemed to be an underwriter within the meaning of the U.S. Securities Act of 1933.

The applicable prospectus supplement relating to the securities will set forth, among other things:

the offering terms, including the name or names of any underwriters, dealers or agents;

the purchase price of the securities and the proceeds to us from such sale;

any underwriting discounts, concessions, commissions and other items constituting compensation to underwriters, dealers or agents;

any initial public offering price;

any discounts or concessions allowed or reallocated or paid by underwriters or dealers to other dealers; and

any securities exchanges on which the securities may be listed.

If underwriters or dealers are used in the sale, the securities will be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions in accordance with the rules of the New York Stock Exchange:

at a fixed price or prices that may be changed;

at market prices prevailing at the time of sale;

at prices related to such prevailing market prices; or

at negotiated prices.

The securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more of such firms. Unless otherwise set forth in an applicable prospectus

supplement, the obligations of underwriters or dealers to purchase the securities will be subject to certain conditions precedent and the underwriters or dealers will be obligated to purchase all the securities if any are purchased. Any public offering price and any discounts or concessions allowed or reallocated or paid by underwriters or dealers to other dealers may be changed from time to time.

Securities may be sold directly by us or through agents designated by us from time to time, at prevailing market prices or otherwise. Any agent involved in the offer or sale of the securities in respect of which this prospectus and a prospectus supplement is delivered will be named, and any commissions payable by us to such agent will be set forth, in the prospectus supplement. Unless otherwise indicated in the prospectus supplement, any such agent will be acting on a best efforts basis for the period of its appointment.

If so indicated in the prospectus supplement, we will authorize underwriters, dealers or agents to solicit offers from certain specified institutions to purchase securities from us at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to any conditions set forth in the prospectus supplement and the prospectus supplement will set forth the commissions payable for solicitation of such contracts. The underwriters

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and other persons soliciting such contracts will have no responsibility for the validity or performance of any such contracts.

Underwriters, dealers and agents may be entitled under agreements entered into with us to be indemnified by us against certain civil liabilities, including liabilities under the U.S. Securities Act of 1933, or to contribution by us to payments which they may be required to make. The terms and conditions of such indemnification will be described in an applicable prospectus supplement.

Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

Any underwriters to whom securities are sold by us for public offering and sale may make a market in such securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for any securities.

Certain persons participating in any offering of securities may engage in transactions that stabilize, maintain or otherwise affect the price of the securities offered. In connection with any such offering, the underwriters or agents, as the case may be, may purchase and sell securities in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the securities and syndicate short positions involve the sale by the underwriters or agents, as the case may be, of a greater number of securities than they are required to purchase from us in the offering. The underwriters may also impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers for the securities sold for their account may be reclaimed by the syndicate if such securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might otherwise prevail in the open market, and if commenced, may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise. These activities will be described in more detail in the applicable prospectus supplement.

Pursuant to a requirement by the Financial Industry Regulatory Authority (or *FINRA*), the maximum commission or discount to be received by any FINRA member or independent broker/dealer may not be greater than 8% of the gross proceeds received by us for the sale of any securities being offered by this prospectus.

In the event that more than 10% of the net proceeds of any offering of securities made under this prospectus will be received by FINRA members participating in the offering or affiliates or associated persons of such FINRA members, the offering will be conducted in accordance with FINRA Rule 5110(h).

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**SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

Teekay Tankers Ltd. is incorporated under the laws of the Republic of The Marshall Islands as a corporation. The Republic of The Marshall Islands has a less developed body of securities laws as compared to the United States and provides protections for investors to a significantly lesser extent.

Most of our directors and officers and those of our controlled affiliates are residents of countries other than the United States. Substantially all of our and our subsidiaries' assets and a substantial portion of the assets of our directors and officers are located outside of the United States. As a result, it may be difficult or impossible for United States investors to effect service of process within the United States upon us or our subsidiaries or to realize against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. However, we have expressly submitted to the jurisdiction of the U.S. federal and New York state courts sitting in the City of New York for the purpose of any suit, action or proceeding arising under the securities laws of the United States or any state in the United States, and we have appointed Watson, Farley & Williams (New York) LLP to accept service of process on our behalf in any such action.

Watson, Farley & Williams (New York) LLP, our counsel as to Marshall Islands law, has advised us that there is uncertainty as to whether the courts of the Republic of The Marshall Islands would (1) recognize or enforce against us or our directors and officers judgments of courts of the United States based on civil liability provisions of applicable U.S. federal and state securities laws or (2) impose liabilities against us or our directors and officers or those of our controlled affiliates in original actions brought in the Republic of The Marshall Islands, based on these laws.

**LEGAL MATTERS**

Unless otherwise stated in the applicable prospectus supplement, the validity of the shares of Class A common stock offered and certain other legal matters with respect to the laws of the Republic of The Marshall Islands will be passed upon for us by our counsel as to Marshall Islands law, Watson, Farley & Williams (New York) LLP. Certain other legal matters will be passed upon for us by Perkins Coie LLP, Portland, Oregon, who may rely upon the opinion of Watson, Farley & Williams (New York) LLP, for all matters of Marshall Islands law. Any underwriter will be advised about other issues relating to any offering by its own legal counsel.

**EXPERTS**

The consolidated financial statements of Teekay Tankers Ltd. included in its Annual Report on Form 20-F for the year ended December 31, 2008, and the effectiveness of Teekay Tankers Ltd.'s internal control over financial reporting as of December 31, 2008, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon included therein, and incorporated herein by reference. Such financial statements are, and audited financial statements to be included in subsequently filed documents will be, incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such financial statements (to the extent covered by consents filed with the SEC) given on the authority of such firm as experts in accounting and auditing.

The combined carve-out statements of income (loss), changes in owner's equity, and cash flows for the period from June 1, 2007 to July 31, 2007 (Successor), January 1, 2007 to May 31, 2007 (Predecessor) and the year ended December 31, 2006 (Predecessor) of Adair Shipping L.L.C. and Delaware Shipping L.L.C. (or the *Combined Financial Statements*), included as an exhibit to Teekay Tankers Ltd.'s Annual Report on Form 20-F for the year ended December 31, 2008, have been audited by Ernst & Young LLP as set forth in their reports thereon included therein

and incorporated herein by reference. The Combined Financial Statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.



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**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form F-3 regarding the securities covered by this prospectus. This prospectus does not contain all of the information found in the registration statement. For further information regarding us and the securities offered in this prospectus, you may wish to review the full registration statement, including its exhibits. The registration statement, including the exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or from the SEC's website on the Internet at [www.sec.gov](http://www.sec.gov) free of charge. Please call the SEC at 1-800-SEC-0330 for further information on public reference rooms. Our registration statement can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

As a foreign private issuer, we are exempt under the U.S. Securities Act of 1934 (or the *Exchange Act*) from, among other things, certain rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal stockholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, including the filing of quarterly reports or current reports on Form 8-K. However, we intend to make available quarterly reports containing our unaudited interim financial information for the first three fiscal quarters of each fiscal year.

**INCORPORATION OF DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus information that we file with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to other documents filed separately with the SEC. The information incorporated by reference is an important part of this prospectus. Information that we later provide to the SEC, and which is deemed to be filed with the SEC, automatically will update information previously filed with the SEC, and may replace information in this prospectus.

We incorporate by reference into this prospectus the documents listed below:

our Annual Report on Form 20-F for the fiscal year ended December 31, 2008;

all subsequent Annual Reports on Form 20-F filed prior to the termination of this offering;

all subsequent Reports on Form 6-K furnished to the SEC prior to the termination of this offering that we identify in such Reports as being incorporated by reference into the registration statement of which this prospectus is a part; and

the description of each class of our capital stock as described in our Registration Statement on Form 8-A filed with the SEC on December 3, 2007, including any subsequent amendments or reports filed for the purpose of updating such description.

These reports contain important information about us, our financial condition and our results of operations.

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You may obtain any of the documents incorporated by reference in this prospectus from the SEC through its public reference facilities or its website at the addresses provided above. You also may request a copy of any document incorporated by reference in this prospectus (excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference in this document), at no cost, by visiting our Internet website at [www.teekaytankers.com](http://www.teekaytankers.com), or by writing or calling us at the following address:

Teekay Tankers Ltd.  
4th Floor, Belvedere Building,  
69 Pitts Bay Road  
Hamilton HM 08, Bermuda Attn: Corporate Secretary  
(441) 298-2530

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You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with any information. You should not assume that the information incorporated by reference or provided in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of each document. The information contained in our website is not part of this prospectus.

In reviewing any agreements included as exhibits to the registration statement relating to the securities covered by this prospectus or to other SEC filings incorporated by reference into this prospectus or any prospectus supplement, please be aware that these agreements are attached as exhibits to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about us or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement, which representations and warranties may have been made solely for the benefit of the other parties to the applicable agreement and, as applicable:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that may have been made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time and should not be relied upon by investors in considering whether to invest in our securities.

**EXPENSES**

The following table sets forth costs and expenses, other than any underwriting discounts and commissions, we expect to incur in connection with the issuance and distribution of the shares of Class A common stock covered by this prospectus. All amounts are estimated except the SEC registration and FINRA fees.

U.S. Securities and Exchange Commission registration fee	\$ 22,320
FINRA filing fee	\$ 40,500
Legal fees and expenses	*
Accounting fees and expenses	*
Printing costs	*
Transfer agent fees	*
Miscellaneous	*
Total	\$ *

\*

To be provided in a prospectus supplement or in a Report on Form 6-K subsequently incorporated by reference into this prospectus.

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*7,000,000 Shares*

*CLASS A COMMON STOCK*

*Teekay Tankers Ltd.*

**PROSPECTUS SUPPLEMENT  
, 2009**

Joint Book-Running Managers

*MORGAN STANLEY*

*CITI*

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.

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.

Further technological advancements and other innovations affecting LNG carriers could reduce the charter hire rates we are able to obtain when seeking new employment for our existing vessels, which could adversely impact the value of our assets and our results of operations and cash flows.

The charter rates, asset value and operational life of an LNG carrier are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical life. Efficiency is reflected in unit freight costs, which are driven by the size of the vessel, its fuel economy and the rate at which LNG in the cargo tanks naturally evaporates. Flexibility is primarily driven by the size of the vessel and includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, the ongoing maintenance and the impact of operational stresses on the vessel. LNG carrier designs are continually evolving. At such time, as newer designs are developed and accepted in the market, these newer vessels may be more efficient or more flexible or have longer physical lives than our vessels. Competition from these more technologically advanced LNG carriers compared to our existing vessels could adversely affect our ability to charter or re-charter our these vessels and the charter hire rates we will be able to secure when we seek to charter or re-charter these vessels, and could also reduce the resale value of these vessels. This could adversely affect our revenues and cash flows, including cash available for dividends to our shareholders, as well as our ability to obtain debt financing for LNG carriers with older technology whose market values have experienced a significant decline.

If we cannot meet our charterers' quality and compliance requirements, we may not be able to operate our vessels profitably, which could have an adverse effect on our future performance, results of operations, cash flows and financial position.

Customers, and in particular those in the LNG industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire value chain, including the shipping and transportation segment. Our continuous compliance with these standards and quality requirements is vital for our operations. Related risks could materialize in multiple ways, including a sudden and unexpected breach in quality and/or compliance concerning one or more vessels and/or a continuous decrease in the quality concerning one or more LNG carriers occurring over time. Moreover, continuously increasing requirements from LNG industry constituents can further challenge our ability to meet the standards. Any noncompliance by us, either suddenly or over a period of time, on one or more LNG carriers, or an increase in requirements by our charterers above and beyond what we deliver, may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

#### Risks Related to Our Industry

Due to the nature of our business, our performance is subject to the development of the LNG industry, adverse changes or developments in the LNG carrier, FSRU, and FLNG, the LNG industry as a whole or in the offshore energy infrastructure business financial condition, results of operations and ability to pay dividends to shareholders. Specific industry risks include:

• 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; 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 have a material adverse effect on our results of operations and financial condition.

- 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.

If the number of vessels available in the short-term or spot LNG carrier charter market continues to expand and results in reduced opportunities to secure multi-year charters for our vessels, our revenues and cash flows may become more volatile and may decline following expiration or early termination of our current charter arrangements.

Most shipping requirements for new LNG projects continue to be provided on a multi-year basis, though the level of spot voyages and short-term time charters of less than 12 months in duration has grown in the past few years. If the number of vessels available in the short-term or spot charter market continues to expand and results in reduced opportunities to secure multi-year charters for our vessels, we may only be able to enter into short-term time charters upon expiration or early termination of our current charters. As a result, our revenues and cash flows may become more volatile. In addition, an active short-term or spot charter market may require us to enter into charters based on changing market prices, as opposed to contracts based on fixed rates, which could result in a decrease in our revenues and cash flows, including cash available for dividends to our shareholders, especially if we enter into charters during periods when charter rates are depressed.

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. In addition, certain of our charterers may be subject to sanctions that could, if expanded, have a material adverse effect on our business.

Although no vessels operated by us have called on ports located in countries in violation of sanctions and embargoes imposed by the U.S. government or countries identified by the U.S. government as state sponsors of terrorism, in the

future our vessels may call on ports in these countries from time to time on our charterers' instructions. 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.

U.S. sanctions against Russia include "sectoral sanctions," which target specific industries. Transactions with companies designated under the Sectoral Sanctions Identifications List ("SSI List") are not prohibited in all cases. Under the United States Office of Foreign Assets Control's (OFAC) 50 percent rule, a company owned 50 percent or more by an SSI-Listed entity is also to be treated as an SSI-Listed entity.

One of our charter counterparties, a major oil and gas company, may be deemed to be designated an SSI by virtue of the 50 percent rule described above. Although the charter counterparty does not appear on either of OFAC's list of U.S. Specially

Designated Nationals List (“SDN List”) or the SSI List, certain companies with more than 50 percent ownership in this charter counterparty may be identified as an SSI-Listed entity subject to Directive 4 of OFAC’s Ukraine/Russia-related sanctions. Such charter counterparty may thus also be subject to Directive 4.

Directive 4 prohibits U.S. persons from engaging in any activity involving the provision, exportation, or reexportation, directly or indirectly, of goods, services (except for financial services), and technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that, among other things, have the potential to produce oil in the Russian federation and that involve a Directive 4 SSI-Listed entity or their property or interests in property, or that are initiated after January 29, 2018 and have the potential to produce oil in any location and a Directive 4 SSI-Listed entity or their property or interests in property has a 33 percent or greater interest or ownership of a majority of the voting interests. Although the sectoral sanctions do not directly apply to non-U.S. persons, Countering America’s Adversaries Through Sanctions Act (“CAATSA”) prohibits, among other things, non-U.S. persons from facilitating “significant transactions” for or on behalf of SDNs and SSI-Listed entities, as well as entities owned 50 percent or more by such entities.

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. 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 U.S. embargoed countries or countries identified by the U.S. government as state sponsors of terrorism and certain financial institutions may have policies against lending or extending credit to companies that have contracts with U.S. embargoed countries or 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 shares or the determination by these financial institutions not to offer financing may adversely affect the price at which our common shares trade. 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 shares may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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

If we are in default on certain kinds of obligations, such as those to our lenders, crew members, suppliers of goods and services to our vessels or shippers of cargo, these parties may be entitled to a maritime lien against one or more of our vessels. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. In a few jurisdictions, 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 to have the arrest lifted. Under some of our present charters, if the vessel is arrested or detained (for as few as 14 days in the case of one of our charters) as a result of a claim against us, we may be in default of our charter and the charterer may terminate the charter. This would negatively impact our revenues and reduce our cash available for distribution to unitholders.

⚠️An economic slowdown or changes in the economic and political environment in the Asia Pacific region could have a material adverse effect on our business, financial condition and results of operations.

We anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of LNG in ports in the Asia Pacific region. As a result, any negative changes in economic conditions in any Asia Pacific country, particularly in China, may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The quarterly year-over-year growth rate of China's GDP was approximately 6.5% for the year ended December 31, 2018, as compared to approximately 6.9% for the year ended December 31, 2017, and continues to remain below pre-2008 levels. We cannot assure you that the Chinese economy will not experience a significant contraction in the future.

Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through state plans and other measures.

There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform, the level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions. Notwithstanding economic reform, the Chinese government may adopt policies that favor domestic companies and may hinder our ability to compete with them effectively. For example, China imposes a tax for non-resident international transportation enterprises engaged in the provision of services of passengers or cargo, among other items, in and out of China using their own, chartered or leased vessels. The regulation may subject international transportation companies to Chinese enterprise income tax on profits generated from international transportation services passing through Chinese ports. This tax or similar regulations, such as the recently promoted environmental taxes on coal, by China may result in an increase in the cost of raw materials imported to China and the risks associated with importing raw materials to China, as well as a decrease in any raw materials shipped from our charterers to China. This could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. Moreover, an economic slowdown in the economies of the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere.

In addition, concerns regarding the possibility of sovereign debt defaults by European Union member countries, including Greece, have in the past disrupted financial markets throughout the world, and may lead to weaker consumer demand in the European Union, the United States, and other parts of the world. The possibility of sovereign debt defaults by European Union member countries, including Greece, and the possibility of market reforms to float the Chinese renminbi, either of which development could weaken the Euro against the Chinese renminbi, could adversely affect consumer demand in the European Union. Moreover, the revaluation of the renminbi may negatively impact the United States' demand for imported goods, many of which are shipped from China. Future weak economic conditions could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders. Our business, financial condition, results of operations, ability to pay dividends as well as our future prospects, will likely be materially and adversely affected by another economic downturn in any of the aforementioned countries and regions.

Political instability, terrorist attacks and international hostilities can affect the seaborne transportation industry, which could adversely affect our business.

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and ability to pay dividends, if any, in the future may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed or registered. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the current political instability in the Middle East and the South China Sea region and other geographic countries and areas, geopolitical events such as the withdrawal of the U.K. from the European Union, or "Brexit," terrorist or other attacks, and war (or threatened war) or international hostilities. Terrorist attacks and the continuing response of the United States and others to these attacks, as well as the threat of future terrorist attacks around the world, continues to cause uncertainty in the world's financial markets and may impact our business, operating results and financial condition. Continuing conflict and recent developments in the Middle East, and the presence of U.S. or similar forces in Iraq, Syria, Afghanistan and various other regions, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms

acceptable to us or at all. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Further, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States have indicated that the United States may seek to implement more protective trade measures. President Trump was elected on a platform promoting trade protectionism. The results of the presidential election have thus created significant uncertainty about the future relationship between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. For example, on January 23, 2017, President Trump signed an executive order withdrawing the United States from the Trans-Pacific Partnership, a global trade agreement intended to include the United States, Canada, Mexico, Peru and a number of Asian countries. In March 2018, President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally. Most recently, in January 2019, the United States announced sanctions against Venezuela, which may have an effect on its oil output and in turn affect global oil supply. Protectionist

developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on the shipping industry, and therefore, our charterers and their business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay any cash distributions to our stockholders.

• The results of the U.K.'s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum, and in March 2017, the government of the U.K. formally initiated the process. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the March 2017 initiation. There is currently no agreement in place regarding the withdrawal, creating significant uncertainty about the future relationship between the U.K. and the EU, including with respect to the laws and regulations that will apply as the U.K. determines which EU derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business and on our consolidated financial position, results of operations and our ability to pay distributions. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

#### Risks Related to Industry Regulation

Our industry is subject to a number of regulations, particularly in relation to Health and Safety, environmental protection and maritime conduct. Changes to these regulations could impact our business, our financial position and our operations. In particular:

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

The International Maritime Organization ("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.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit ("VGP") program and U.S. National Invasive Species Act ("NISA") are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018, requires that the U.S. Coast Guard develop implementation, compliance, and enforcement regulations regarding ballast water within two years. The new regulations could require the installation of new equipment, which may cause

us to incur substantial costs.

- Our operations are subject to various international, federal, state and local environmental, climate change and greenhouse gas emissions laws and regulations. Compliance with these obligations, and any future changes to environmental legislation and regulation applicable to international and national maritime trade, may have an adverse effect on our business.

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 response to and liability for oil spills, discharges to air and water, and the handling and disposal of hazardous substances and wastes. In some cases, these laws and regulations require us to obtain governmental permits and authorizations before we may conduct certain activities.

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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. The International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 (“MARPOL”), which regulates air emissions, oil pollution and other discharges to the environment, 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.

Laws that apply to our operations change from time to time. For example, 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. Compliance with the IGF Code is mandatory under the International Convention for the Safety of Life at Sea of 1974 (“SOLAS”) through adopted amendments incorporating the IGF Code into SOLAS. 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. 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.

In addition, due to concern over the risk of climate change, a number of countries, the United States, the EU 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. These could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas.

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. Such legislation or regulations may require additional capital expenditures or operating expenses. Please see “Item 4. Information on the Company-B. Business Overview-Environmental and Other Regulations” below for a more detailed discussion on these topics.

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 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. Also, a treaty may be adopted in the future that requires the adoption of 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.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also have an effect on demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time. Please read “Item 4. Information on the Company-B. Business Overview-Environmental and Other Regulations” below for a more detailed discussion.

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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 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, the Gimi and the

Gandria. The Gimi has entered into the shipyard for her conversion into a FLNG vessel, whereas the Gandria is in lay-up and proposed to be converted into a FLNG vessel.

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 on board once every year to verify that the maintenance of the equipment on board is done correctly. Each of the vessels in our existing fleet is required to be qualified within its respective classification society for dry-docking 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.

#### Risks Related to Our Common Shares

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.

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 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
- dry-dock 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.

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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 2018, the closing market price of our common shares on Nasdaq ranged from a low of \$21.36 on December 20, 2018 to a high of \$34.74 per share on May 21, 2018. As of March 15, 2019, the closing market price of our common shares on Nasdaq was \$21.81 per share. 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.

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.

## Tax Risks

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

Tax laws, treaties 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 the 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.

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 a certain election available (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.

• 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 that this tax exemption will apply to us or to 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.

• 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.

• As a Bermuda exempted company incorporated under Bermuda law with subsidiaries in another offshore jurisdiction, our operations may be subject to economic substance requirements.

On December 5, 2017, following an assessment of the tax policies of various countries by the Code of Conduct Group for Business Taxation of the European Union (the "COCG"), the Council of the European Union approved and published Council conclusions containing a list of non-cooperative jurisdictions for tax purposes (the "Conclusions"). Although at that time not considered "non-cooperative jurisdictions," certain countries, including Bermuda, were listed as having "tax regimes that facilitate offshore structures which attract profits without real economic activity." In connection with the Conclusions, and to avoid being placed on the list of "non-cooperative jurisdictions," the government of Bermuda, among others, committed to addressing COCG proposals relating to economic substance for entities doing business in or through their respective jurisdictions and to pass legislation to implement any appropriate

changes by the end of 2018. The Economic Substance Act 2018 and the Economic Substance Regulations 2018 of Bermuda (the “Economic Substance Act” and the “Economic Substance Regulations”, respectively) became operative on December 31, 2018. The Economic Substance Act applies to every registered entity in Bermuda that engages in a relevant activity and requires that every such entity shall maintain a substantial economic presence in Bermuda. A relevant activity for the purposes of the Economic Substance Act is banking business, insurance business, fund management business, financing business, leasing business, headquarters business, shipping business, distribution and service centre business, intellectual property holding business and conducting business as a holding entity, which may include a pure equity holding entity. The Economic Substance Act provides that a registered entity that carries on a relevant activity complies with economic substance requirements if (a) it is directed and managed in Bermuda, (b) its core income-generating activities (as may be prescribed) are undertaken in Bermuda with respect to the relevant activity, (c) it maintains adequate physical presence in Bermuda, (d) it has adequate full time employees in Bermuda with suitable qualifications and (e) it incurs adequate operating expenditure in Bermuda in relation to the relevant activity.

A registered entity that carries on a relevant activity is obliged under the Economic Substance Act to file a declaration in the prescribed form (the “Declaration”) with the Registrar of Companies (the “Registrar”) on an annual basis. The Economic Substance Regulations provide that minimum economic substance requirements shall apply in relation to an entity if the entity is a pure equity holding entity which only holds or manages equity participations, and earns passive income from dividends, distributions, capital gains and other incidental income only. The minimum economic substance requirements include a) compliance with applicable corporate governance requirements set forth in the Bermuda Companies Act 1981 including keeping records of account, books and papers and financial statements and b) submission of an annual economic substance declaration form. Additionally, the Economic Substance Regulations provide that a pure equity holding entity complies with economic substance requirements where it also has adequate employees for holding and managing equity participations, and adequate premises in Bermuda.

Certain of our subsidiaries may from time to time be organized in other jurisdictions identified by the COCG based on global standards set by the Organization for Economic Co-operation and Development with the objective of preventing low-tax jurisdictions from attracting profits from certain activities. These jurisdictions, including the Marshall Islands, have also enacted economic substance laws and regulations which we may be obligated to comply with. If we fail to comply with our obligations under the Economic Substance Act or any similar law applicable to us in any other jurisdiction, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials in related jurisdictions and may be struck from the register of companies in Bermuda or such other jurisdiction. Any of these actions could have a material adverse effect on our business, financial condition and results of operations.

Bermuda’s continued presence on a list of non-cooperative jurisdictions by the European Union could harm our business.

On March 12, 2019, Bermuda was placed by the EU on its list of non-cooperative jurisdictions for tax purposes due to an issue with Bermuda's economic substance legislation which was not resolved in time for the EU's deadline. At present, the impact of being included on the list of non-cooperative jurisdictions for tax purposes is unclear. While Bermuda has now amended its legislation which the Bermuda Government has stated has addressed this issue and expects to be removed from the list of non-cooperative jurisdictions at the EU's Economic and Financial Affairs Council's next meeting which is scheduled for May 2019, there can be no assurance that Bermuda will be removed from such list. If Bermuda is not removed from the list and sanctions or other financial, tax or regulatory measures were applied by European Member States to countries on the list or further economic substance requirements were imposed by Bermuda, our business could be harmed.

#### 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, FSRUs and FLNGs and the development of LNG projects through our subsidiaries, affiliates and joint venture.

As of March 15, 2019, we, together with our affiliates Golar Partners and Golar Power, have a combined fleet of twenty-seven vessels, comprised of eighteen LNG carriers, eight FSRUs and one FLNG. Of these vessels, six of the FSRUs and four of the LNG carriers are owned by Golar Partners and one of the FSRUs and two of the LNG carriers are owned by Golar Power. Most of the Golar Partners owned vessels are on long-term time charters. Seven of our LNG carriers, one of our FSRUs and two of Golar Power's LNG carriers are participating in the LNG carrier pool, referred to as the Cool Pool. Of the remaining vessels, two of our LNG carriers are on shorter-term time charters, the Gandria is being contemplated for conversion into a FLNG and the Gimi entered Keppel Shipyard Limited's

("Keppel") shipyard in early 2019 to commence initial work for her conversion into a FLNG to service the Greater Tortue Ahmeyim project.

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 venture's 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 Episeyo, into a FLNG and commenced conversion of another, the Gimi. In addition, we have entered into a definitive contract with Keppel and Black & Veatch for the conversion of another LNG carrier, the Gandria, into a FLNG. 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 The Zig Zag, 70 Victoria Street, London, SW1E 6SQ, United Kingdom and our telephone number at that address is +44 207 063 7900.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information that we file electronically with the SEC, can be obtained from the SEC's website at (<http://www.sec.gov>) or from "SEC filings" tab in the "Investor Relations" section of our website ([www.golarlng.com](http://www.golarlng.com)).

## Investments

Since January 1, 2016, we own interests in the following companies which we account for using the equity method:

### a. 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, 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 March 15, 2019, we own 100% of the general partner units and 30.6% of the common units in Golar Partners, in addition to 100% of the IDRs.

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) 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 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. 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 prior period. The remaining Earn-Out Units ("second tranche") would be issued if Golar Partners paid 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. Having not satisfied the minimum quarterly

distribution over all of these quarters, the second tranche did not vest.

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 March 15, 2019, Golar Partners had a fleet of ten vessels acquired from or contributed by us to provide funding for our projects as well as our growth.

In July 2018, we and the affiliates of Keppel Shipyard Limited ("Keppel") and Black & Veatch Corporation ("B&V") (together, the "Sellers"), completed the sale ("Hilli Disposal") to Golar Partners of common units in our consolidated subsidiary Hilli LLC (the "Hilli Common Units"), which owns Golar Hilli Corp. ("Hilli Corp"), the disponent owner of the Hilli Episeyo. 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.

b. 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. The cost of constructing the power plant and related terminal, including taxes and financing costs, is estimated at \$1.7 billion. In April 2018, CELSE reached financial closing of its \$1.3 billion non-recourse debt facility, which fully funds the project. As of March 15, 2019, the construction of the Sergipe power plant remains on track for commencement of operations early 2020.

Golar Power also owns a FSRU, the Golar Nanook, constructed at Samsung shipyard, delivered to Golar Power in September 2018 and has arrived in Brazil, 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. In connection with the financial close of the Sergipe Project funding, Golar Power has also executed contracts with CELSE to charter the FSRU Golar Nanook for a period of 25 years.

Golar Power has also 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.

c. Avenir LNG Limited (“Avenir”)

In October 2018, Avenir issued a private placement of 99 million shares at a par price of \$1.00 per share, which was successfully completed at a subscription price of \$1.00 per share. Of the 99 million shares placed, we subscribed for 24.8 million shares, representing an investment of \$24.8 million, or 25%. The investment is part of a combined commitment of up to \$182.0 million from Stolt-Nielsen (an entity affiliated with one of our directors, Niels Stolt-Nielsen), Höegh and Golar for the pursuit of opportunities in small-scale LNG, including the delivery of LNG to areas of stranded gas demand, the development of LNG bunkering services and supply to the transportation sector. Following the initial equity offering Stolt-Nielsen, Höegh and Golar are committed to fund \$72.0 million, of which our commitment is \$18.0 million.

Avenir currently has four small-scale LNG newbuildings under construction at Keppel Singmarine in Nantong, China and another two on order from Sinopacific Offshore Engineering in Nantong, China. Avenir also holds 80% ownership in an LNG terminal and distribution facility under development in the Italian port of Oristano, Sardinia. Avenir is currently listed on the Norwegian OTC market. Subsequent to the placement of additional 11 million shares with other investors in November 2018, we and Höegh each currently hold a 22.5% share in Avenir, with Stolt-Nielsen holding 45%, and the remaining 10% being held by a group of institutional and other professional investors.

d. OneLNG

In July 2016, Golar and Schlumberger B.V. (“Schlumberger”) entered into an agreement to form OneLNG, a joint venture, with the intention to offer an integrated upstream and midstream solution for the development of low cost gas reserves to LNG. In accordance with the joint venture and shareholders' agreement, Golar holds 51% and Schlumberger the remaining 49% of OneLNG. The delays in finalizing a debt financing package for the Fortuna

FLNG project, together with other capital and resource priorities, has resulted in a decision from Schlumberger to end their participation in the project. Golar and Schlumberger, as a result of this, have commenced the winding down of OneLNG and will work on FLNG projects as required on a case-by-case basis. As a result, we have written down our investment in OneLNG to \$nil as at December 31, 2018.

#### Disposals

Since January 1, 2016, we have entered into the following sale and purchase transactions:

In May 2016, we sold our equity interests in the company ("Golar LNG NB13 Corporation") 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 were 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 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 Episeyo; and

On July 12, 2018 (the "Closing Date"), we and the affiliates of Keppel and Black & Veatch Corporation, completed the Hilli Disposal to Golar Partners of common units in our consolidated subsidiary Hilli LLC (the "Hilli Common Units"), which owns Hilli Corp, the disponent owner of Hilli Episeyo (the "Hilli"). The selling price for the Hilli Disposal was \$658 million, less 50% of our net lease obligations under the Hilli Facility on the Closing Date and working capital adjustments. On August 15, 2017, concurrently with our entry into the purchase and sale agreement for the Hilli Disposal (the "Hilli Sale Agreement"), we received a deposit from Golar Partners, which, together with accrued interest, equaled \$71.9 million on the Closing Date (the "Hilli deposit"), combined with Golar Partners' payment for its exercise of the Tundra Put Right, which, together with accrued interest, equaled \$110.1 million on the Closing Date (the "Deferred Purchase Price"). We applied the Hilli Deposit, the Deferred Purchase Price and interest accrued thereon as payment for the Hilli Disposal. Please see note 6 "Disposal of Long Lived Assets" of our consolidated financial statements included herein.

In addition:

In connection with the formation of the Golar Power joint venture, we contributed to it our former subsidiaries that: (i) owned the Golar Penguin and the Golar Celsius; (ii) held the FSRU newbuilding contract with Samsung, which was subsequently delivered and named Golar Nanook; and (iii) held 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, 2016, we have also refinanced certain of our vessels pursuant to sale and leaseback arrangements as further described in note 5 "Variable Interest Entities" of our consolidated financial statements included herein.

## B. Business Overview

### 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 areas of strategic focus are to:

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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 6.4 years. Seven 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. We also manage carriers on behalf of our affiliate companies, Golar Partners and Golar Power. A potential separation or spin-off of our LNG shipping fleet is under consideration. This may reduce volatility in our future cash flows and better position our long-term contracting business for infrastructure investors.

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

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currently seeking new FSRU projects and power station opportunities in addition to building an integrated gas to power project at Sergipe in Brazil.

Capture new FLNG opportunities using our unique skills as a developer, owner and operator of FLNG vessels: Our FLNG investment proposition is built on a sound technical and commercial offering, derived from structurally lower unit capital costs and short lead times. FLNG allows smaller resource holders to enter the LNG business and occupy a legitimate space alongside the largest resource holders, major oil companies and world-scale LNG buyers. For established LNG industry participants, the prospect of our low-cost, low-risk, fast-track FLNG solution provides a compelling alternative to traditional land-based projects.

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 closed the sale of an interest in the Hilli Episeyo. We invested a substantial portion of the sale proceeds in newbuild and asset conversion projects that we expect will generate attractive returns over the coming years. As of March 15, 2019, we have a 32.0% 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 Liquefied Natural Gas ("LNG") Industry

The need to transport natural gas over long distances across oceans led to the development of the international LNG trade. 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 FSRUs), the LNG is returned to its gaseous state, or regasified. It may also be transferred to small scale LNG vessels that deliver LNG to users nearby.

**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. To address the escalating costs, more cost competitive FLNG solutions across a spectrum of project sizes have been developed by a handful of major oil companies and also by Golar. We believe that 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.

## Our Operations

We reported three reportable segments since 2017:

**Vessel operations** - We operate and subsequently charter out vessels on fixed terms to customers. We also provide technical vessel management services for our fleet as well as the fleets of Golar Partners and Golar Power.

**FLNG** - In 2014, we ordered our first FLNG based on the conversion of our existing LNG carrier, the Hilli. The Hilli FLNG conversion was completed and the vessel was accepted by the customer under the LTA. In February 2019 we entered into an agreement with BP for the charter of a FLNG, which will be converted from our existing LNG carrier, the Gimi, for a 20-year period expected to commence production in 2022. The Gimi was relocated from layup to Keppel Shipyard to proceed with the conversion.

**Power** - In July 2016, we entered into certain agreements forming a 50/50 joint venture, Golar Power, with private equity firm Stonepeak. Golar Power offers integrated LNG based downstream solutions, through the ownership and operation of a FSRU and associated terminal and power generation infrastructure.

## Vessel Operations

As of March 15, 2019, our current fleet comprises two LNG carriers undergoing or being contemplated for conversions into FLNGs, 10 LNG carriers and one FSRU.

## LNG Carriers

LNG carriers are designed to transport LNG between liquefaction facilities and import terminals for regasification after the natural gas is liquefied. Our LNG carriers utilize the LNG that naturally boils off during transportation in their propulsion system.

According to Fearnleys, 33.6 metric tons of additional supply of LNG mainly from the United States will be available in 2019, much of which will be sold to the Far East. The associated increase in ton miles is expected to quickly absorb all available LNG carriers on the water. It has been estimated that the current global fleet of LNG carriers and those LNG carriers expected to be delivered in 2019 are insufficient to carry this expected new production. The market is currently expected to remain short of LNG carriers until the second half of 2021.

## FSRUs

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. 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. 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 a FSRU. 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.

FSRU Golar Freeze undergoing drydocking prior to deployment

The following table lists our current fleet of LNG carriers and FSRU as of March 15, 2019:

Vessel Name	Year of Delivery	Capacity Cubic Meters	Flag	Type	Charterer/ Pool Arrangement	Current Charter Expiration	Charter Extension Options
Gimi <sup>(1)(5)</sup>	1976	125,000	Marshall Islands	Moss	n/a	n/a	n/a
Gandria <sup>(1)</sup>	1977	126,000	Marshall Islands	Moss	n/a	n/a	n/a
Golar Arctic <sup>(2)</sup>	2003	140,000	Marshall Islands	Membrane	n/a	n/a	n/a
Golar Viking <sup>(4)</sup>	2005	140,000	Marshall Islands	Membrane	A major oil and gas company	2019	n/a
Golar Seal <sup>(3)</sup>	2013	160,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Crystal <sup>(3)</sup>	2014	160,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Bear <sup>(3)</sup>	2014	160,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Glacier	2014	162,000	Marshall Islands	Membrane	A major Japanese trading company	2019	n/a
Golar Frost <sup>(3)</sup>	2014	160,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Snow <sup>(3)</sup>	2015	160,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Ice <sup>(3)</sup>	2015	160,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Kelvin <sup>(3)</sup>	2015	162,000	Marshall Islands	Membrane	Cool Pool	n/a	n/a
Golar Tundra <sup>(3)</sup>	2015	170,000	Marshall Islands	FSRU Membrane	Cool Pool	n/a	n/a

The Gandria is currently in lay-up and earmarked for conversion into a FLNG vessel. The Gimi entered Keppel's (1) shipyard in Singapore in early 2019 to commence her conversion into a FLNG. The conversion agreements for the Gimi and the Gandria are both subject to certain payments and lodging of a full Notice to Proceed.

(2) Golar Arctic is currently not assigned to a charter.

(3) As of March 15, 2019, we have eight vessels operating in the Cool Pool. See "Cool Pool" below.

Golar Viking is currently serving a short-term contract, due to expire in December 2019. Golar has also entered into binding agreements with a Croatian project developer, LNG Hrvatska d.o.o., to convert the 2005 built Golar Viking into a FSRU, sell the converted vessel, and then operate and maintain the FSRU for a minimum of 10 years. (4) Conversion capital expenditure will be predominantly funded by stage payments under the agreements.

Commencement of this project is subject to certain conditions precedent, including confirmation of project funding and receipt of a Notice to Proceed from LNG Hrvatska d.o.o.

In February 2019, we entered into a 20 year Lease and Operate Agreement with BP for the charter of a FLNG unit, the Gimi, to service the Greater Tortue Ahmeyim project. These and other agreements are subject to certain (5) conditions precedent which if not satisfied, or waived by the customer, may result in termination prior to or after employment commences.

## Vessel Operations Revenue

During the year ended December 31, 2018, we received the majority of our vessel operations revenue from the Cool Pool.

a. Cool Pool

In October 2015, we entered into an LNG carrier pooling arrangement with GasLog Carriers Ltd ("GasLog") and Dynagas Ltd ("Dynagas") to market our vessels operating in the LNG shipping spot market. In June 2018, Dynagas exited the pooling arrangement. As of December 31, 2018, the Cool Pool comprised of 16 vessels, of which eight vessels were contributed by us, six vessels by GasLog and two vessels by Golar Power. The vessel owner continues to be fully responsible for the manning and technical management of their respective vessels. For the operation of the Cool Pool, a Marshall Islands service company ("Pool Manager") was established in September 2015. The Pool Manager is jointly owned and controlled by us and GasLog.

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.

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.

#### b. Management Services

Golar Management, our wholly-owned subsidiary which has its primary offices in London, Oslo, Kuala Lumpur and Split, provides commercial, operational and technical support, crew management services 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 and Golar Power, 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 and Golar Power; (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.

#### FLNG

Compared to onshore terminals, the FLNG regasification industry is fairly young. FLNG projects are a solution for stranded reserves (such as lean gas sourced from offshore fields) for which geographical, technical and economic limitations restrict the ability to convert these gas reserves to LNG. In addition, FLNGs offer a more viable economic solution to the traditional giant land-based projects as they are able to be re-deployed. Golar's liquefaction solution places liquefaction technology on board an existing LNG carrier using a rapid low-cost execution model resulting in a vessel conversion time of approximately three years. Golar was also the first company to enter into an agreement for the long-term employment of a FLNG based on the conversion of an existing LNG carrier.

The following table lists our FLNG as of March 15, 2019:

Vessel Name	Year of Delivery	Capacity	Flag	Type	Charterer/ Pool Arrangement	Current Charter Expiration	Charter Extension Options
Hilli Episeyo <sup>(1)</sup>	2017	2.4 mtpa	Marshall Islands	FLNG Moss	Perenco/SNH	2026	n/a

The Hilli Episeyo was converted into a FLNG from a LNG carrier which was originally constructed in 1975. She (1) commenced her operations under the LTA with the Customer in May 2018. The existing LTA is for two of the four liquefaction trains and provides the Customer the option to increase liquefaction production.



Hilli Episeyo

FLNG Hilli Episeyo shortly before departure from Singapore

The Hilli Episeyo conversion was completed in October 2017 and she arrived in Cameroon on November 20, 2017. We tendered her notice of readiness on December 3, 2017 upon completion of pre-commissioning activities, starting the commissioning period. The Hilli Episeyo started earning commissioning payments at a reduced rate from January 4, 2018. First LNG was produced from the Hilli Episeyo in mid-March. The Hilli Episeyo completed her commissioning and was accepted by the customer in May 2018 (the “Acceptance Date”).

The LTA with the Customer was executed on November 29, 2017 and considered legally effective on December 19, 2017 when all conditions precedent were met.

Under the LTA, the Hilli Episeyo is scheduled to provide liquefaction services until the earlier of (i) eight years from the Acceptance Date, or (ii) the time of receipt and processing by the Hilli Episeyo of 500 billion cubic feet of feed gas. Under the terms of the LTA, the Hilli Episeyo is required to make available 1.2 million tonnes of liquefaction capacity per annum, this capacity will be spread evenly over the course of each contract year. The Customer will pay Hilli Corp a monthly tolling fee, which consists of a fixed element of hire and also an element related to the price of Brent crude oil where we receive incremental tolling fees when the price rises above \$60.

The Customer has an option to require us to increase production 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 termination payments 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 termination by Customer of Hilli Corp’s underperformance or non-performance. If the LTA is terminated by Hilli Corp in respect of a breach by the Customer prior to the second anniversary of the Acceptance Date, the Customer is obligated to pay Hilli Corp \$500 million, with termination payments decreasing if the LTA is terminated after the second anniversary of the Acceptance Date.

On August 15, 2017, we entered into the Hilli Sale Agreement with Golar Partners for the Hilli Disposal from Golar and affiliates of Keppel and Black and Veatch of common units (the “Disposal Interests”) in Golar Hilli LLC. As of the closing on

July 12, 2018, of the Hilli Disposal, Hilli LLC became indirectly (via its wholly owned subsidiary) the disponent owner of the Hilli Episeyo. The sale price for the Disposal Interests was \$658 million less net lease obligations under the financing facility for the Hilli Episeyo (the "Hilli Facility"). 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. Additionally, in connection with the closing of the Hilli Disposal, Golar Partners provided a several guarantee of 50% of Hilli Corp's indebtedness under the Hilli Facility. Upon the closing of the Hilli Disposal, we, along with Keppel and Black and Veatch, sold 50% of the Disposal Interests to Golar Partners in return for the payment by Golar Partners of the net purchase price of \$199.7 million.

#### Future FLNGs projects

##### a. BP Greater Tortue Ahmeyim project

In October 2014, we entered into agreements for the conversion of the Gimi into a FLNG. The primary vessel conversion contract was entered into with Keppel in December 2018. The Gimi was delivered to Keppel shipyard in Singapore in early 2019 to undergo initial works in connection with her conversion.

In February 2018 the Inter-Governmental Cooperation Agreement between Mauritania and Senegal was signed, enabling further development of the cross-border Tortue Ahmeyim natural gas field to continue. In April 2018, we entered into a Preliminary Agreement and exchanged Heads of Terms for a Charter Agreement with BP Mauritania Investments Ltd and BP Senegal Investments Ltd (together "BP") in their capacity as block operators. The Heads of Terms committed the parties to translate the terms into an agreement and proceed with Front End Engineering Design ("FEED") on the provision of a FLNG vessel to support the development of Phase 1A of the Greater Tortue/Ahmeyim field, located offshore Mauritania and Senegal. In December 2018, we received a Limited Notice to Proceed from BP in connection with this project.

In February 2019, Golar entered into a Lease and Operate Agreement ("LOA") with BP for the charter of a FLNG unit, Gimi, to service the Greater Tortue Ahmeyim project for a 20-year period expected to commence in 2022. The FLNG Gimi will liquefy gas as part of the first phase of the Greater Tortue Ahmeyim Project and will be located at an innovative near-shore hub located on the Mauritania and Senegal maritime border. FLNG Gimi is designed to produce an average of approximately 2.5 million tonnes of LNG per annum, using the Black & Veatch "Prico" liquefaction process, with the total gas resources in the field estimated to be around 15 trillion cubic feet. Concurrent with entering into the LOA, we entered into a Subscription Agreement (subject to closing conditions) with First FLNG Holdings Pte. Ltd., an indirect wholly-owned subsidiary of Keppel Capital, in respect of their participation in a 30% share of FLNG Gimi.

##### b. Delfin LNG

Progress continues to be made on development of the first FLNG for the US Gulf of Mexico "Delfin LNG" project. When connected to Delfin's existing pipeline infrastructure, Golar's FLNG could deliver a low cost liquefaction solution in North America giving Delfin and Golar an early mover advantage marketing a relatively small parcel of LNG into a demand driven market. Work continues to establish the right gas supply and offtake combination to enable a financing and yard commitment before the end of 2019.

#### Power

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 scheduled to deliver power to 26 committed off-takers for 25 years from 2020.

The construction of the Sergipe power plant remains on track for commencement of operations in early 2020.

Further FSRU-power opportunities are being pursued in by Golar Power in Brazil and elsewhere. License approvals for projects are making good progress, including a recently gazetted Barcarena project. These licenses put Golar Power in a strong position to develop FSRU terminal projects, to win future power auctions, and to distribute LNG locally.

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## Competition

We operate in markets that are highly competitive and based primarily on supply and demand. As the FSRU market continues to grow and mature there are new competitors entering the market. A number of our competitors have also ordered FSRUs. Expectations of rapid growth in the FSRU market has also 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 charters is based primarily on price, operational track record, LNG storage capacity, efficiency of the regasification process, vessel availability, size, age and condition of the vessel, relationships with LNG carrier users and reputation of the operator. In addition, FSRUs may operate as LNG carriers during periods of increased FSRU competition.

The FLNG industry is in an early stage of development, and we do not currently face significant competition from other providers of FLNG services. There are currently only two operating FLNGs in the world. We anticipate that other companies, including marine transportation companies with strong reputations and extensive resources and experience, will enter the FLNG industry at some point in the future, resulting in greater competition.

## 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 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. There is however a tendency for a weaker vessel market in the periods between winter and summer.

## Vessel Maintenance

Safety is our top operational priority. Our vessels are operated in a manner intended to protect the safety and health of our employees, the general public and the environment. We actively manage the risks inherent in our business and are committed to eliminating incidents that threaten safety, such as groundings, fires and collisions. We are also committed to reducing emissions and waste generation. We have established key performance indicators to facilitate regular monitoring of our operational performance. We set targets on an annual basis to drive continuous improvement, and we review performance indicators monthly to determine if remedial action is necessary to reach our targets.

Under our charters, we are responsible for the technical management of the vessels which our subsidiaries assist us by managing our vessel operations, maintaining a technical department to monitor and audit our vessel manager operations and providing expertise in various functions critical to our operations. This affords an efficient and cost effective operation and, pursuant to administrative services agreements with certain of our subsidiaries, access to human resources, financial and other administrative functions.

These functions are supported by on board and onshore systems for maintenance, inventory, purchasing and budget management. In addition, our day-to-day focus on cost control will be applied to our operations. To some extent, the uniform design of some of our vessels and the adoption of common equipment standards should also result in operational efficiencies, including with respect to crew training and vessel management, equipment operation and

repair, and spare parts ordering.

#### 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.

The current protection and indemnity insurance coverage for pollution is \$250 million per incident for the Hilli Episeyo 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 \$8.2 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.

#### Classification, Inspection and Maintenance

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.

For maintenance of the class certificate, regular and extraordinary 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 "recommendation" which must be rectified by the shipowner 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, Golar Viking and Golar Bear are certified by the American Bureau of Shipping. All of our other vessels are certified by Det Norske Veritas GL. All three 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 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, and the Gandria is currently layed up.

We carry out inspections of the vessels on a regular basis; both at sea and while the vessels are in port. The results of these inspections, which are conducted both in port and while underway, 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 and improvement for our vessels and their systems.

## Environmental and Other Regulations

### General

Our business and the operation of our vessels are subject to various international treaties and conventions and to the applicable local national and subnational laws and regulations of the countries in which our vessels operate or are registered. These local laws and regulations might require us to obtain governmental permits and authorizations before we may conduct certain activities. Failure to comply with these laws or to obtain the necessary business and technical licenses could result in sanctions including suspension and/or freezing of the business and responsibility for all damages arising from any violation.

The local governments may also periodically revise their environmental laws and regulations or adopt new ones, and the effects of new or revised laws and regulations on our operations cannot be predicted. Although we believe that we are substantially in compliance with applicable environmental laws and regulations and have all permits, licenses and certificates required for our vessels, future non-compliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels. There can be no assurance that additional significant costs and liabilities will not be incurred to comply with such current and future laws and regulations, or that such laws and regulations will not have a material effect on our operations.

International environmental treaties and conventions and U.S. environmental laws and regulations that apply to the operation of our vessels are described below. Other countries in which we operate or in which our vessels are registered have or may in the future have laws and regulations that are similar in nature to the U.S. laws referenced below. GMN provides technical management services for our vessels, is certified in accordance with the IMO standard for ISM and operates in compliance with the International Standards Organization ("ISO") Environmental Management Standard for the management of significant environmental aspects associated with the ownership and operation of our fleet.

### International Maritime Regulations of LNG Vessels

The IMO provides international regulations governing shipping and international maritime trade. Among other requirements, Chapter IX of SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention ("the ISM Code") requires the party with operational control of a vessel to develop an extensive safety management system and the adoption of a policy for safety and environmental protection setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to

emergencies. Our ship manager holds a document of compliance under the ISM Code for operation of Gas Carriers.

Vessels that transport gas, including LNG carriers and FSRUs, are also subject to the International Gas Carrier Code (“IGC”) which 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. 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.

The IMO also promulgates ongoing amendments to SOLAS which provides rules for the construction of and equipment required for commercial vessels and includes regulations for safe operation. It requires the provision of lifeboats and other life-saving appliances, requires the use of the Global Maritime Distress and Safety System which is an international radio equipment and watch keeping standard, afloat and at shore stations, and relates to the International Convention on the Standards of Training and Certification of Watchkeeping Officers (“STCW”) also promulgated by the IMO. The SOLAS and other IMO regulations concerning safety, including those relating to treaties on training of shipboard personnel, lifesaving appliances, radio equipment

and the global maritime distress and safety system, are applicable to our operations. Flag states that have ratified the SOLAS and STCW generally employ the classification societies, which have incorporated the SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

In the wake of increased worldwide security concerns, the IMO amended SOLAS and added the International Ship and Port Facility Security Code (“ISPS Code”), which came into effect on July 1, 2004, to detect security threats and take preventive measures against security incidents affecting vessels or port facilities. GMN has developed security plans and appointed and trained ship and office security officers. In addition, all of our vessels have been certified to meet the ISPS Code and the security requirements of the SOLAS and the Maritime Transportation Security Act (“MTSA”).

The United States Coast Guard (“USCG”) regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid International Ship Security Certificate that attests to the vessel’s compliance with the SOLAS Convention security requirements and the ISPS Code. 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 United States Environmental Protection Agency (the “EPA”). Future security measures could have a significant financial impact on us. GMN has developed security plans, appointed and trained ship and office security officers and all of our vessels have been certified to meet the ISPS Code and the security requirements of the SOLAS and the MTSA.

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 regulation may have on our operations. Non-compliance with the IGC Code or other applicable IMO regulations may subject a shipowner or a bareboat charterer to increased liability or penalties, 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.

#### Air Emissions

The IMO adopted MARPOL, which imposes environmental standards on the shipping industry relating to marine pollution, including oil spills, management of garbage, the handling and disposal of noxious liquids, sewage and air emissions. MARPOL is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling and applies to various vessels delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards. IMO regulations also require owners and operators of vessels to adopt Shipboard Oil Pollution Emergency Plans. Periodic training and drills for response personnel and for vessels and their crews are required. Annexes II and III relate to harmful substances carried in bulk, in liquid or in packaged form, respectively, and Annexes IV and V relate to sewage and garbage management, respectively.

MARPOL Annex VI regulations for the “Prevention of Air Pollution from Ships”, adopted in September 2017, apply to all vessels, fixed and floating drilling rigs and other floating platforms. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from vessel exhausts, emissions of volatile compounds from cargo tanks, incineration of specific substances, and prohibits deliberate emissions of ozone depleting substances. Annex VI also includes a global cap on sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. The certification requirements for Annex VI depend on size of the vessel and time of the periodic classification survey. Ships weighing more than 400 gross tons and engaged in international voyages involving countries that have ratified the conventions, or vessels flying the flag of those countries, are required to have an International Air Pollution Certificate (“IAPP Certificate”). Annex VI came into force in the United States on January 8,

2009. All our vessels delivered or drydocked since May 19, 2005 have been issued IAPP Certificates.

Amendments to Annex VI to the MARPOL Convention that took effect in 2010 require progressively stricter limitations on sulfur emissions from vessels. As of January 1, 2012, fuel used to power vessels may contain no more than 3.5% sulfur for areas outside of designated emission control areas (“ECAs”). This cap will then decrease progressively until it reaches 0.5% on January 1, 2020. The amendments also establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The European directive 2005/33/EC bans the use of fuel oils containing more than 0.10% sulfur by mass by any merchant vessel while at berth in any EU country. Our vessels have achieved compliance, where necessary, by being modified to burn gas only in their boilers when alongside a berth. Except for one of Golar Partners' vessels, we have modified the boilers on all our vessels to also allow operation on low sulfur diesel oil, or LSDO.

More stringent emission standards could apply in coastal areas designed as “Emission Control Areas” (“ECAs”), such as the United States and Canadian coastal areas designated by the IMO’s Marine Environment Protection Committee (“MEPC”), as discussed in “U.S. Clean Air Act” below. These areas include certain coastal areas of North America and the United States

Caribbean Sea. Annex VI Regulation 14, which came into effect on January 1, 2015, set a 0.10% sulfur limit in areas of the Baltic Sea, North Sea, North America and United States Caribbean Sea ECAs. Ocean-going vessels operating in these areas will be subject to stringent emission controls that may cause us to incur additional costs. The approval of other ECAs or other stringent requirements relating to emissions from marine diesel engines or port operations by vessels may require significant capital expenditures for compliance.

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 produced by vessels 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 became 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. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems. Because our vessels are largely powered by means other than fuel oil we do not anticipate that any emission limits that may be promulgated will require us to incur any material costs for the operation of our vessels, but that possibility cannot be eliminated.

#### Safety Management System Requirements

Under 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.

Amendments to SOLAS 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's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

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 create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

#### Anti-Fouling Requirements

Our vessels are subject to the IMO's International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the Anti-fouling Convention, which 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 must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels, and we do not believe that maintaining such certificates will have an adverse financial impact on the operation of our vessels.

#### Oil Pollution Act and The Comprehensive Environmental Response Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 ("OPA 90") established an extensive regulatory and liability regime for environmental protection and clean up of oil spills. OPA 90 affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial waters and the 200 nautical mile exclusive economic zone of the United States. The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") applies to the release or discharge of hazardous substances whether on land or at sea. While LNG is generally excluded from the current definition of "hazardous substances" under OPA 90 and CERCLA, these regulatory frameworks may nevertheless affect us because we carry oil as fuel and lubricants for our engines, and the release or discharge of these could cause an environmental hazard. Under OPA 90, vessel operators, including vessel owners, managers and bareboat or "demise" charterers, are "responsible parties" who are all liable regardless of fault, individually and as a group, for all containment and clean-up costs and other damages arising from oil spills from their vessels. These "responsible parties" would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The other damages aside from clean-up and containment costs are defined broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resource and the costs of assessment thereof;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- 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;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- 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.

The limits of OPA liability are the greater of \$2,200 per gross ton or \$18.8 million for any tanker other than single-hull tank vessels, over 3,000 gross tons (subject to possible adjustment for inflation) (relevant to ours and Golar's LNG carriers). These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or willful misconduct. These limits likewise do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states, which have enacted their own legislation, have not yet issued implementing regulations defining



ship owners' responsibilities under these laws.

CERCLA, which also applies to owners and operators of vessels, contains a similar liability regime and provides liability for releases of "hazardous substances", including for clean up, 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 the same, and health assessments or health effect studies. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying hazardous substances as cargo or residue, and the greater of \$300 per gross ton or \$500,000 for any other vessel. As with OPA, these limits of liability 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

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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. We believe that we are in substantial compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels call.

OPA requires owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the limit of their potential strict liability under OPA/CERCLA. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one vessel is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the vessel having the greatest maximum liability under OPA/CERCLA. Each of our ship owning subsidiaries that has vessels trading in U.S. waters has applied for, and obtained from the U.S. Coast Guard National Pollution Funds Center three-year certificates of financial responsibility, or COFR, supported by guarantees which we purchased from an insurance based provider. We believe that we will be able to continue to obtain the requisite guarantees and that we will continue to be granted COFRs from the USCG for each of our vessels that is required to have one.

Compliance with any new requirements of OPA, or other laws or regulations, may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. For example, in July 2016, the U.S. Department of the Interior's Bureau of Safety and Environmental Enforcement ("BSEE") finalized new regulations imposing well control requirements on offshore oil and gas drilling. However, this measure and others like it are being reevaluated by promulgating agencies pursuant to Executive Orders 13783 and 13795, which promote energy exploration and production. As part of this reevaluation, in May 2018, BSEE issued a proposal to revise or eliminate certain of the requirements under the 2016 well control rule. Additional legislation or regulation applicable to the operation of our vessels that may be implemented in the future could adversely affect our business and ability to make distributions to our unitholders.

#### Bunker Convention/CLC State Certificate

The International Convention on Civil Liability for Bunker Oil Pollution 2001, or the Bunker Convention entered into force on November 21, 2008. The Convention provides a liability, compensation and compulsory insurance system for the victims of oil pollution damage caused by spills of bunker oil. The Convention imposes strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage (including the cost of preventive measures) caused in the territory, including the territorial sea of a State Party, as well as its economic zone or equivalent area. Registered owners of any sea going vessel and seaborne craft over 1,000 gross tonnage, of any type whatsoever, and registered in a State Party, or entering or leaving a port in the territory of a State Party, will be required to maintain insurance which meets the requirements of the Convention and to obtain a certificate issued by a State Party attesting that such insurance is in force. The State Party issued certificate must be carried on board at all times. P&I Clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels have received "Blue Cards" from their P&I Club and are in possession of a Civil Liability Convention (CLC) State-issued certificate attesting that the required insurance cover is in force.

#### Ballast Water Management Convention, Clean Water Act and National Invasive Species Act

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. The EPA and USCG, have also enacted rules relating to ballast water discharge for all vessels entering or operating in United States waters. Compliance 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 cost, and/or otherwise restrict our vessels from entering United States waters.

a. Ballast Water Management Convention

In February 2004, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments ("BWM Convention"). 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 implementing regulations call for a phased introduction of mandatory ballast water exchange requirements to be replaced in time with mandatory concentration limits. The BWM Convention entered into force on September 8, 2017, however IMO later decided to postpone the compliance date for existing vessels by 2 years, i.e. until the first renewal survey following September 8, 2019. Furthermore, in October 2014 the MEPC met and adopted additional resolutions concerning the BWM Convention's implementation. Upon entry into force of the BWM Convention, mid-ocean ballast water exchange became mandatory for our vessels.

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. At MEPC 72, the G8 guidelines were converted into a mandatory code for approval of ballast water management systems, which enters into force in October 2019. 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. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast Water Management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in accordance with IMO Guidelines (Regulation D-3). Costs of compliance with these regulations may be substantial.

Once mid-ocean ballast exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. 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.

#### b. Clean Water Act

The U.S. Clean Water Act (“CWA”) prohibits the discharge of oil or hazardous substances 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. In addition, 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.

The EPA regulates the discharge of ballast and bilge water and other substances in United States waters under the CWA. The EPA regulations require vessels 79 feet in length or longer (other than commercial fishing vessels and recreational vessels) comply with a permit that regulates ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters - the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels, (“VGP”). In March 2013, the EPA re-issued the VGP. The 2013 VGP focuses on authorizing discharges incidental to operations of commercial vessels and contains ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. In December 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 December 2018, the Vessel Incidental Discharge Act (VIDA) was signed into law and restructured the EPA and the USCG programs for regulating incidental discharges from vessels. Rather than requiring CWA permits, the discharges will be regulated under a new CWA Section 312(p) establishing Uniform National Standards for Discharges Incidental to Normal Operation of Vessels. Under VIDA, VGP provisions and existing USCG regulations will be phased out over a period

of approximately four years and replaced with National Standards of Performance ("NSPs") to be developed by EPA and implemented and enforced by the USCG. Although the 2013 VGP was scheduled to expire in December 2018, under VIDA the provisions of the 2013 VGP will remain in place until the new regulations are in place.

c. National Invasive Species Act

The USCG regulations adopted under the U.S. National Invasive Species Act ("NISA") require the USCG's approval of any technology before it is placed on a vessel. As a result, the USCG has provided waivers to vessels which could not install the then as-yet unapproved technology. In May 2016, the USCG published a review of the practicability of implementing a more stringent ballast water discharge standard. The results concluded that technology to achieve a

significant improvement in ballast water treatment efficacy cannot be practically implemented. In February, 2016, the USCG issued a new rule amending the Coast Guard's ballast water management record-keeping requirements. Effective February 22, 2016, vessels with ballast tanks operating exclusively on voyages between ports or places within a single Captain of the Port zone were required to submit an annual report of their ballast water management practices. However, on September 19, 2018, the USCG published a final rule eliminating the requirement. Moreover, as discussed above, under VIDA, existing USCG ballast water management regulations will be phased out over a period of approximately four years and replaced with NSPs to be developed by EPA and implemented and enforced by the USCG.

Installation of ballast water treatments systems ("BWTS"), 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 BWTS. The additional costs of complying with these rules, relating to all our vessels, are estimated to be in the range of \$1.8 million and \$2.1 million per vessel and will be phased in over time in connection with the renewal surveys that are required. We have therefore decided to install BWTS on all our LNG Carriers on their first drydocking after 2017. The installation of the BWTS on the Golar Seal was completed in 2018.

#### Clean Air Act

The U.S. Clean Air Act of 1970 ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargos when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas and emission standards for so-called "Category 3" marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. On April 30, 2010, the EPA promulgated final emission standards for Category 3 marine diesel engines equivalent to those adopted in the amendments to Annex VI to MARPOL. The emission standards apply in two stages: near-term standards for newly-built engines apply from 2011, and long-term standards requiring an 80% reduction in nitrogen dioxides, or NOx, apply from 2016. Compliance with these standards may cause us to incur costs to install control equipment on our vessels in the future.

#### 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.

#### Regulation of Greenhouse Gas Emissions

In February 2005, the Kyoto Protocol entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the emissions of greenhouse gases from international transport are not subject to the Kyoto Protocol. In December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. In addition, in December 2011, the Conference of the Parties to the United Nations Convention on Climate Change adopted the Durban Platform which calls for a process to develop binding emissions limitations on both developed and developing countries under the United Nations Framework Convention on Climate Change applicable to all Parties. The Paris Agreement, which resulted from the 2015 United Nations Climate Change Conference in Paris, does not directly limit greenhouse gas emissions from vessels (e.g., there are no mandatory initiatives affecting the shipping industry in the Paris Agreement); however the IMO has agreed on a plan to reduce

carbon emissions from marine vessels, as part of the shipping industry's contribution to the Paris Agreement, which was adopted in April 2018 (see further discussion below).

In addition to the voluntary strategies to reduce greenhouse gas emissions through the United Nations climate process, our operations may be impacted by mandatory requirements imposed by the IMO. As of January 1, 2013, all vessels, including rigs and drillships, must comply with mandatory requirements adopted in July 2011 by the MEPC relating to greenhouse gas emissions, including the Energy Efficiency Design Index ("EEDI") and the Ship Energy Efficiency Management Plan ("SEEMP"), which are technical and operational measures to improve energy efficiency and reduce greenhouse gas emissions. The regulations apply to all vessels of 400 gross tonnage and above. The IMO also adopted a mandatory requirement in October 2016 that ships of 5,000 gross tonnage and above record and report their fuel oil consumption. The requirement entered into force in March 2018. These new rules will likely affect the operations of vessels that are registered in countries that are signatories to MARPOL Annex VI or vessels that call upon ports located within such countries. The implementation of the EEDI and SEEMP standards could cause us to incur additional compliance costs. The IMO is also considering the implementation of a market-based mechanism for greenhouse gas emissions from vessels.

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, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies “levels of ambition” to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses. 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.

The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels and in January 2012, the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from vessels. In April 2015, a regulation was adopted requiring that large vessels (over 5,000 gross tons) calling at European ports from January 2018 collect and publish data on carbon dioxide omissions.

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 that 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 certain weather events.

#### 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, as of January 1, 2018, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, 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.

#### Other Regulations

Our LNG vessels may also become subject to the HNS Convention. The HNS Convention introduces strict liability for the ship owner and covers pollution damage as well as the risks of fire and explosion, including loss of life or personal injury and damage to property. HNS includes, among other things, liquefied natural gas.

The April 2010 Protocol sets up a two-tier system of compensation composed of compulsory insurance taken out by ship owners and an HNS fund that comes into play when the insurance is insufficient to satisfy a claim or does not cover the

incident. Under the 2010 Protocol, if damage is caused by bulk HNS, claims for compensation will first be sought from the ship owner up to a maximum of 100 million Special Drawing Rights, or SDR. SDR is a potential claim on the freely usable currencies of the IMF members. If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The April 2010 Protocol has yet entered into effect as the required minimum number of consenting states has not been met. We cannot estimate the costs that may be needed to comply with any such requirements that may be adopted with any certainty at this time.

In June 2015 the IMO formally adopted the IGF Code, which is designed to minimize the risks involved with ships using low flashpoint fuels, including LNG. Compliance with the IGF Code is mandatory under SOLAS through adopted amendments. The IGF Code and the amendments to SOLAS became effective January 1, 2017.

#### 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 LLC and Hilli Corp.

#### D. Property, Plant and Equipment

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

We do not own any interest in real property. We lease approximately 10,700 square feet of office space in London, 32,000 square feet of office space in Oslo, for our ship management operations, 4,100 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 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 Our Results of Operations and Future Results

Our historical results of operations and cash flows may not be indicative of results of operations and our results may be principally affected for the following reasons:

Conversion of our vessels to FLNG. The Gimi was delivered to Keppel's shipyard in early 2019 to commence her conversion into a FLNG. FLNG conversions require highly specialized contractors and are subject to risk of delay or default by shipyards. In the event the shipyards do not perform under these agreements and we are unable to enforce certain refund guarantees with third party banks, we may lose part or all of our investment.

Utilization of the Hilli's full capacity. The Hilli Episeyo is the world's first converted FLNG vessel. FLNG vessels are complex and their operations are technically challenging and subject to mechanical risks. Accordingly, delays in contracting Train 3 and Train 4 capacity could adversely affect our financial performance.

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 by US GAAP 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. As of December 31, 2018, we consolidated lessor VIEs in connection with the lease financing transactions for eight of our vessels. Refer to note 5 "Variable Interest Entities" and note 22 "Debt" of our consolidated financial statements included herein.

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 oil derivative instrument. 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. Refer to note 27 "Financial Instruments" in our Consolidated Financial Statements.

Our results will be dependent in part on the performance of the Cool Pool. We, along with GasLog and Golar Power, are in a Cool Pool arrangement to market our vessels which are currently operating in the LNG shipping spot market. As of March 15, 2019, we had contributed eight (2017: eight) of the 16 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.

Our investment in joint ventures and affiliates may not result in anticipated profitability or generate cash flow sufficient to justify our investment. In November 2018, Golar Partners announced a distribution cut which failed to translate into an improved share price. Given the failure of the share price to recover and the sustained period of the suppressed share price, we recorded an other than temporary impairment charge of \$149.4 million.

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:

**Liquefaction services revenue.** Liquefaction services revenue is generated from a LTA entered into with our customer. Our provision of liquefaction services capacity includes the receipt of the customer's gas, treatment and temporary storage on board our FLNG, and delivery of LNG to waiting carriers. We recognize revenue when obligations under the terms of our contract are satisfied.

**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 idle, that is, off-hire, for several reasons: scheduled drydocking or special survey or vessel upgrade or maintenance or inspection, 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, maintenance, operational deficiencies, equipment breakdown, 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, 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. Charterhire 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.

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, 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 this benefit will vary with the movement of actuarial variables and the value of the pension fund assets.

Project development expenses. These include the costs associated with pursuing future contracts and developing our pipeline of activities that have not met our internal threshold for capitalization.

Realized and unrealized gain on oil derivative instrument. In December 2017, we recognized a derivative asset in relation to the 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 "Realized and unrealized gain on oil 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.

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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.

(Losses) gains on derivative instruments. (Losses) gains on derivative instruments include market valuation adjustments for interest rate swap derivatives, realized interest income/(expense) on interest rate swaps and market valuation adjustments on Earn-Out Units. 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 may be required to be posted. As at December 31, 2018 cash collateral amounting to \$82.9 million has been provided against our Total Return Swap (see note 14 "Restricted Cash and Short-term Deposits" of our consolidated financial statements included herein).

Other financial items. Other financial items include financing fee arrangement costs such as commitment fees on credit facilities, foreign exchange gains/losses and other realized gains/(losses) on our financial instruments. Foreign exchange gains or losses arise due to the retranslation of our capital lease obligations and the cash deposits securing those obligations. Any gain or loss represents an unrealized gain or loss and will arise over time as a result of exchange rate movements. Our liquidity position will only be affected to the extent that we choose or are required to withdraw monies from or pay additional monies into the deposits securing our capital lease obligations.

Equity in net earnings or losses of affiliates. This includes our share of the earnings or losses of our affiliates. Affiliates are entities over which we generally have between 20% and 50% of the voting rights, or over which we have significant influence, but over which we do not exercise control or have the power to control the financial and operational policies. These are accounted for by the equity method of accounting. This also extends to entities in which we hold a majority ownership interest, but we do not control, due to the participating rights of non-controlling interests. We record our investment in the affiliate at cost (or fair value if a consequence of deconsolidation), and adjust the carrying amount for our share of the earnings or losses of the affiliate subsequent to the date of the investment and report the recognized earnings or losses in income. The excess, if any, of the purchase price over book value of our investments in equity method affiliates, or basis difference, is included in the consolidated balance sheets as "Investments in affiliates". The basis difference will then be amortized through the consolidated statements of income.

Non-Controlling Interest. Non-controlling interest refers to the 44.6% interest in Hilli LLC. In addition, we have entered into various sale and leaseback arrangements with wholly-owned special purpose vehicles ("lessor SPVs") of financial institutions. While we do not hold any equity investments in these lessor SPVs, we have determined that we are the primary beneficiary of these entities and accordingly, we are required to consolidate these variable interest entities ("VIEs") into our financial results. Thus, the equity attributable to these financial institutions is included in our non-controlling interest. For additional details, see note 5 "Variable Interest Entities" to 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, 2018, 2017 and 2016 were affected by several key factors:

Interest costs of \$43.9 million, \$72.4 million and \$50.3 million were capitalized in 2018, 2017 and 2016, respectively, in relation to the FLNG conversion of the Hilli, the investment in our affiliate, Golar Power and our newbuilding under construction;

The realized and unrealized gains and losses on mark-to-market adjustments for our derivative instruments, excluding the Hilli embedded derivative, of \$30.5 million loss, \$20.7 million gain and \$16.5 million gain in 2018, 2017 and 2016, respectively;

Mark-to-market loss of \$16.8 million and gain of \$15.1 million in 2018 and 2017, respectively, on the embedded derivative in relation to the Hilli LTA.

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 subsequently underwent commissioning. In 2018, she completed commissioning and was accepted under the LTA with the Customer and is now in full commercial operation.

Other operating income for the year ended December 31, 2018 includes \$50.7 million recovered from West Africa Gas Limited in relation to amounts due under the charter agreement. In addition, subsequent to the decision to wind down OneLNG, we have written off \$12.7 million of the trading balance with OneLNG as we deem it to be no longer recoverable.

Other-than-temporary impairment on our investment in Golar Partners amounting to \$149.4 million was recognized for the year ended December 31, 2018 in the line item Equity in net (losses) earnings of affiliates;

Charterhire expenses of \$nil, \$17.4 million and \$28.4 million for the year ended December 31, 2018, 2017 and 2016, respectively, arising from the charter-back of the Golar Grand 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;

Our vessels were affected by commercial waiting time;

Share options expense on options granted during 2018, 2017 and 2016;

Project expenses such as those relating to FLNG project development;

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

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.

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

## A. Operating Results

Year ended December 31, 2018, compared with the year ended December 31, 2017

As of December 31, 2018, 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 7 "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, 2018 and 2017:

Vessel operations segment



(in thousands of \$, except average daily TCE)	December 31,			% Change
	2018	2017	Change	
Total operating revenues	302,979	143,537	159,442	111 %
Vessel operating expenses	(70,543)	(55,944)	(14,599)	26 %
Voyage, charterhire and commission expenses (including expenses from collaborative arrangement)	(104,463)	(61,171)	(43,292)	71 %
Administrative expenses <sup>(2)</sup>	(51,716)	(36,296)	(15,420)	42 %
Project development expenses <sup>(2)</sup>	(5,165)	(9,796)	4,631	(47) %
Depreciation and amortization	(65,496)	(76,522)	11,026	(14) %
Other operating gains	50,740	—	50,740	100 %
Operating income (loss)	56,336	(96,192)	152,528	(159) %
Equity in net (losses) earnings of affiliates	(138,677)	1,503	(140,180)	(9,327) %

## Other Financial Data:

Average Daily TCE <sup>(1)</sup> (to the closest \$100)	43,700	17,500	26,200	150 %
Calendar days less scheduled off-hire days	3,987	3,885	102	3 %

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

(2) With effect from quarter ended June 30, 2018, we presented new line item, "Project development expenses", which includes costs associated with pursuing future contracts and developing our pipeline of activities that have not met our internal threshold for capitalization. Previously, these costs were presented within "Administrative expenses" along with our general overhead costs. This presentation change has been retrospectively adjusted in prior periods. See note 2 "Accounting Policies" of our consolidated financial statements included herein.

Total operating revenues: Operating revenues increased by \$159.4 million to \$303.0 million for the year ended December 31, 2018 compared to \$143.5 million in 2017. This was principally due to an increase of:

\$144.8 million as a result of improved utilization and daily hire rates, including repositioning fees, from our vessels operating within the Cool Pool during the year ended December 31, 2018 compared to the same period in 2017; and \$16.0 million as a result of the Golar Glacier commencing her new 12 month charter in February 2018.

Average daily TCE: As a result of an overall increase in charter rates and utilization of most of our vessels within the period, we had a higher daily TCE for the year ended December 31, 2018 of \$43,700 compared to \$17,500 for the same period in 2017.

Vessel operating expenses: Vessel operating expenses increased by \$14.6 million to \$70.5 million for the year ended December 31, 2018, compared to \$55.9 million for the same period in 2017, primarily due to an increase of:

\$6.2 million in operating costs in relation to our vessels operating within the Cool Pool; and \$7.8 million of reactivation and operating costs of the Golar Viking as she was taken out of lay-up in January 2018.

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 \$43.3 million to \$104.5 million for the year ended December 31, 2018

compared to \$61.2 million for the same period in 2017, is principally due to an increase of:

\$52.2 million of voyage expenses that arose from the increased utilization of our vessels participating within the Cool Pool, for which we receive credit under the Cool Pool arrangement (further described in note 28(d) "Related Parties" of our consolidated financial statements included herein); and

\$3.2 million due to the Golar Viking being taken out of lay-up.

This was partially offset by the \$12.7 million decrease in charterhire expense relating to the charter back of the Golar Grand from Golar Partners. As the charter back of the Golar Grand was completed in November 1, 2017, there was no comparable charterhire expense in 2018.

Administrative expenses: Administrative expenses increased by \$15.4 million to \$51.7 million for the year ended December 31, 2018 compared to \$36.3 million for the same period in 2017, principally due to an increase in salaries and employee benefits (including share options expenses).

Project development expenses: Project development expenses decreased by \$4.6 million to \$5.2 million for the year ended December 31, 2018 compared to \$9.8 million for the same period in 2017, principally due to a decrease in non-capitalized project-related expenses comprising of legal, professional and consultancy costs.

Depreciation and amortization: Depreciation and amortization decreased by \$11.0 million to \$65.5 million for the year ended December 31, 2018 compared to \$76.5 million for the same period in 2017, principally due to a decrease of:

\$7.8 million in Golar Tundra depreciation as a result of a \$9.7 million catch-up charge recognized upon the vessel ceasing to be classified as held-for-sale in March 2017; and

\$3.3 million in the Gandria depreciation as she reached the end of her useful economic life at December 31, 2017, and accordingly, no further depreciation expense was recognized in 2018.

Other operating gains: This represents initial amounts recovered in connection with the ongoing arbitration proceedings arising from the delays and the termination of the Golar Tundra time charter with a former charterer.

Equity in net earnings of affiliates:

(in thousands of \$)	December 31,		Change	% Change	
	2018	2017			
Share in net earnings in Golar Partners	7,001	17,702	(10,701)	(60)	%
Impairment of investment in Golar Partners	(149,389)	—	(149,389)	100	%
Net loss on deemed disposal of investments in Golar Partners	—	(16,992)	16,992	100	%
Share of net earnings (loss) in other affiliates	3,711	793	2,918	368	%
	(138,677)	1,503	(140,180)	(9,327)	%

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 2018. As a result, during the year ended December 31, 2018, we recognized an impairment charge of \$149.4 million. The year ended December 31, 2017 included a deemed loss on disposal of \$17.0 million as a result of a dilution in our holding in Golar Partners due to further issuances of common units by Golar Partners in February 2017. As of December 31, 2018, we held a 32.0% (2017: 31.8%) ownership interest in Golar Partners (including our 2% general partner interest) and 100% of IDRs.

The share of net earnings in other affiliates represents our share of equity in Egyptian Company for Gas Services S.A.E ("ECGS") and Avenir LNG Limited ("Avenir"). During the year ended December 31, 2018 we recognized negative goodwill of \$3.8 million in equity in net earnings of affiliates to reflect our bargain purchase of Avenir. Refer to note 16 "Investment in Affiliates" of our Consolidated Financial Statements included herein for further details.

## FLNG segment

(in thousands of \$)	December 31,		Change	% Change	
	2018	2017			
Total operating revenues	127,625	—	127,625	100	%
Vessel operating expenses	(26,317)	(2,315)	(26,315)	1,315,750	%
Voyage expenses	(1,363)	(121)	(1,242)	1,026	%
Administrative expenses <sup>(1)</sup>	175	(1,736)	1,911	(110)	%
Project development expenses <sup>(1)</sup>	(16,526)	(2,506)	(14,020)	559	%
Depreciation and amortization	(28,193)	—	(28,193)	100	%
Other operating gains	2,749	15,100	(12,351)	(82)	%
Operating gain	58,150	10,735	47,415	442	%

Equity in net losses of affiliates (2,047)(8,153)6,106 (75) %

(1) With effect from quarter ended June 30, 2018, we presented new line item, "Project development expenses", which includes costs associated with pursuing future contracts and developing our pipeline of activities that have not met our internal threshold for capitalization. Previously, these costs were presented within "Administrative expenses" along with our general overhead costs. This presentation change has been retrospectively adjusted in prior periods. See note 2 "Accounting Policies" of our consolidated financial statements included herein.

Total operating revenues: On May 31, 2018, the Hilli was accepted by the Customer and, accordingly, commenced operations. As a result, she generated \$127.6 million total operating revenues in relation to her liquefaction services for the year ended December 31, 2018.

Vessel operating expenses: This represents the vessel operating expenses incurred by the Hilli since she commenced operations.

Project development expenses: This relates to non-capitalized project-related expenses comprising of legal, professional and consultancy costs. The increase for the twelve months ended December 31, 2018 was primarily as a result of increased engineering consultation fees and front-end engineering and design costs in relation to the Greater Tortue Ahmeyim project.

Depreciation: Subsequent to the Customer's acceptance of the Hilli, we determined her to be operational and, therefore, depreciation commenced during the second quarter of 2018.

Other operating gains: Includes the realized and unrealized gain on the oil derivative instrument. In 2018, we recognized a realized gain of \$26.7 million, and an unrealized fair value loss of \$10.0 million, relating to the LTA oil derivative instrument as a result of the increased price of Brent Crude during the year. The derivative asset was recognized upon the LTA becoming effective in December 2017. In 2017, we recognized an unrealized fair value gain of \$15.1 million.

For the year ended December 31, 2018, this is partially offset by a \$1.3 million write off of capitalized conversion costs in relation to the Gandria. In addition, subsequent to the decision to wind down OneLNG, we have written off \$12.7 million of the trading balance with OneLNG as we deem it to be no longer recoverable.

Equity in net losses of affiliates: Pursuant to the formation of OneLNG in July 2016, we equity account for our share of net losses in OneLNG. Given the difficulties in finalizing an attractive debt financing package along with other capital and resource priorities, in April 2018, Golar and Schlumberger decided to wind down OneLNG and work on

FLNG projects as required on a case-by-case basis. As a result, activity levels have been substantially reduced for the year ended December 31, 2018 and the carrying value of the investment was written down to \$nil.

Power segment

(in thousands of \$)	December 31,		Change	% Change
	2018	2017		
Equity in net (losses) of Golar Power	(16,913)	(18,798)	1,885	(10 )%

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Pursuant to the formation of Golar Power in July 2016, we have accounted for our 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 28 "Related Parties" of our consolidated financial statements included herein) and the administrative cost of business development activities from Golar Power's Brazilian subsidiaries. The main Brazilian activity relates to the CELSE project, which is not yet operational as the power plant is still under construction.

#### Other non-operating results

The following details our other consolidated results for the years ended December 31, 2018 and 2017:

(in thousands of \$)	December 31,		Change	% Change
	2018	2017		
Total other non-operating expense	—	(81)	81	(100)%
Interest income	10,133	5,890	4,243	72%
Interest expense	(101,908)	(59,305)	(42,603)	72%
(Losses) gains on derivative instruments	(30,541)	20,696	(51,237)	(248)%
Other financial items, net	(1,481)	(69)	(1,412)	2,046%
Income taxes	(1,267)	(1,505)	238	(16)%
Net income attributable to non-controlling interests	(63,214)	(34,424)	(28,790)	84%

Interest income: Interest income increased by \$4.2 million to \$10.1 million for the year ended December 31, 2018, compared to \$5.9 million for the same period in 2017 due to returns on our fixed deposits that had been made in 2018, and income derived from the lending capital of our lessor VIEs, that we are required to consolidate under U.S. GAAP.

Interest expense: Interest expense increased by \$42.6 million to \$101.9 million for the year ended December 31, 2018 compared to \$59.3 million for the same period in 2017. In addition to higher LIBOR rates, this was primarily due to:

- \$22.7 million increase in interest expense arising on the loan facilities of our consolidated lessor VIEs (refer to note 5 "Variable Interest Entities ("VIE")" of our consolidated financial statements included herein), in particular on the Hilli post-delivery sale and leaseback arrangement entered into during June 2018;

- \$21.7 million lower capitalized interest on borrowing costs in relation to our investment in the Hilli FLNG conversion prior to acceptance of the vessel;

- \$7.0 million increase in amortization of deferred financing costs in relation to the Hilli facility; and

- \$1.4 million increase in interest expense in relation to the \$402.5 million convertible bond issued in February 2017, resulting in a full year of interest incurred in 2018.

This was partially offset by a decrease of:

- \$5.9 million in interest expense relating to the Hilli disposal;

- \$5.0 million higher capitalized interest on borrowing costs in relation to our investment in Golar Power.

Losses on derivative instruments: Losses on derivative instruments increased by \$51.2 million to a loss of \$30.5 million for the year ended December 31, 2018 compared to a gain of \$20.7 million for the same period in 2017. The movement was primarily due to:

Net unrealized and realized gains on interest rate swap agreements: As of December 31, 2018, we have an interest rate swap portfolio with a notional amount of \$950 million, none of which are designated as hedges for accounting purposes. Net unrealized gains on the interest rate swaps decreased to a gain of \$0.6 million for the year ended December 31, 2018 compared to a gain of \$6.6 million for the same period in 2017, due to an improvement in the long-term swap rates, offset by the decreased notional value of the swap portfolio over the period. Realized gains on our interest rate swaps increased to a gain of \$8.1 million for the year ended December 31, 2018, compared to a loss of \$3.8 million for the same period in 2017. The increase was primarily due to higher LIBOR rates for the year ended December 31, 2018.

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Unrealized (losses) gains on total return swap (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 extended to June 2019. The equity swap derivatives mark-to-market adjustment resulted in a net loss of \$30.7 million recognized in the year ended December 31, 2018 compared to a gain of \$16.6 million for the same period in 2017. The loss in 2018 is due to the fall in the Company's share price during 2018.

Unrealized mark-to-market losses on Earn-Out Units: This relates to the mark-to-market movement on the Earn-Out Units issuable in connection with the IDR reset transaction in October 2016, which we recognize as a derivative asset in our consolidated financial statements. The decrease in Golar Partners' quarterly distribution to \$0.4042 per common unit on October 24, 2018 resulted in the contingent Earn-Out Units arising out of the IDR reset transaction in October 2016 not crystallizing and, accordingly, we recognized a mark-to-market loss of \$7.4 million for the year ended December 31, 2018, effectively reducing the derivative asset to \$nil at December 31, 2018, compared to a gain of \$0.4 million for the same period in 2017.

Net income attributable to non-controlling interests: The net income attributable to non-controlling interests comprises of (i) \$19.7 million and \$1.5 million in relation to the non-controlling shareholders who hold interests in Hilli LLC and Hilli Corp (prior to the incorporation of Hilli LLC) for the year ended December 31, 2018 and 2017, respectively, and (ii) \$43.5 million and \$32.9 million in relation to the equity interests in our lessor VIEs for the year ended December 31, 2018 and 2017, respectively. We are party to sale and leaseback arrangements for eight vessels with these 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, 2017, compared with the year ended December 31, 2016

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, charterhire and commission expenses (including expenses from collaborative arrangement)	(61,171)	(47,563)	(13,608)	29 %
Administrative expenses <sup>(2)</sup>	(36,296)	(37,302)	1,006	(3) %
Project development expenses <sup>(2)</sup>	(9,796)	(5,082)	(4,714)	93 %
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 <sup>(1)</sup> (to the closest \$100)	17,500	10,100	7,400	73 %
Calendar days less scheduled off-hire days	3,885	4,034	(149)	(4) %

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

(2) With effect from quarter ended June 30, 2018, we presented new line item, "Project development expenses", which includes costs associated with pursuing future contracts and developing our pipeline of activities that have not met our internal threshold for capitalization. Previously, these costs were presented within "Administrative expenses" along with our general overhead costs. This presentation change has been retrospectively adjusted in prior periods. See note 2 "Accounting Policies" of our consolidated financial statements included herein.

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 decreased by \$1.0 million to \$36.3 million for the year ended December 31, 2017 compared to \$37.3 million in 2016. This was due to a general decrease following a change in the classification of fleet management related administrative costs to vessel operating expenses.

Project development expenses: Project expenses increased by \$4.7 million to \$9.8 million for the year ended December 31, 2017 compared to \$5.1 million in 2016. This was primarily due to an increase in salaries and benefits, 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; and (ii) a decrease in administration expenses due to greater capitalization of certain costs directly associated with the conversion of the Hilli into a FLNG.

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,			% Change
	2017	2016	Change	
Share of net earnings in Golar Partners	17,702	37,716	(20,014)	(53)%
Loss on 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 oil 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 oil 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 2 "Basis of Preparation and Significant Accounting Policies" 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.

#### Power segment

(in thousands of \$)	December 31,			
	2017	2016	Change	% Change
Equity in net (losses) earnings of affiliates	(18,798)	10,534	(29,332)	(278) %

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 28 "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 non-operating results

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

(in thousands of \$)	December 31,		Change	% Change
	2017	2016		
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 )%
Gains on derivative instruments	20,696	16,491	4,205	25 %
Other financial items, net	(69 )	(7,800 )	7,731	(99 )%
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.

Gains on derivative instruments: Gains on derivative instruments increased by \$4.2 million to a gain of \$20.7 million for the year ended December 31, 2017, compared to a gain of \$16.5 million for the same period in 2016. The movement was primarily due to:

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.

Other financial items, net: Other financial items, increased by \$7.7 million to a loss of \$0.1 million for the year ended December 31, 2017 compared to a loss of \$7.8 million for the same period in 2016. The movement was primarily due to:

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.

## 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 and our oil derivative instrument.

Our short-term liquidity requirements are primarily for the servicing of debt, working capital requirements, potential investments in our joint ventures and affiliates, and conversion project related commitments due within the next 12 months. Over the last 12 months the outlook in the LNG shipping market has improved. Whilst certain challenges remain, the Company's forward view of the market remains positive despite current volatility. Vessel deliveries are expected to slow, from record levels in 2018, heading into 2019. At the same time, new liquefaction capacity ramps up at close to its fastest pace in history with approximately 35mtpa of new LNG scheduled to come on line in 2019 versus 30mtpa in 2018. The market may be prone to further periods of volatility and the impact on the Company's results is unknown. Accordingly, we may require additional working capital for the continued operation of our vessels in the spot market (via the Cool Pool). The need for additional working capital is dependent upon the employment of the vessels participating in the Cool Pool and fuel costs incurred during idle time. We remain responsible for manning and technical management of our vessels in the Cool Pool. We estimate that total forecast vessel operating expenses relating to our vessels in the Cool Pool for the next 12 months is \$47.9 million, based on our historical average operating costs. Additionally, we require a small amount of working capital for our vessel currently in lay-up.

As of March 15, 2019, we have a fleet of 14 vessels, of which three vessels are on short-term charters or operating on the spot market, eight vessels are operating on the spot market (via the Cool Pool) and one vessel is in lay-up, one vessel entered Keppel's shipyard in early 2019 to commence her conversion into a FLNG, and one FLNG vessel, the Hilli, is operating on a long-term tolling agreement.

As of December 31, 2018, we had cash and cash equivalents (including short-term deposits) of \$704.3 million, of which \$486.4 million is restricted cash. Included within restricted cash is \$174.6 million in respect of the issuance of

the letter of credit by a financial institution to our project partner involved in the Hilli FLNG project, \$82.9 million cash collateral on our Total Return Swap, and the balance mainly relating to the cash belonging to Lessor VIEs that we are required to consolidate under U.S. GAAP. Refer to note 14 "Restricted Cash and Short-term Deposits" of our consolidated financial statements included herein for additional details.

Since December 31, 2018, significant transactions impacting our cash flows include:

Receipts:

receipt of \$9.2 million in February 2019, in respect of cash distributions for the quarter ended December 31, 2018, from Golar Partners in relation to our interests in its common and general partner units held at the relevant record date, albeit \$1.7 million was used to satisfy interest payments on the Margin Loan Facility as a result of 21,226,586 of Golar Partners common units held by us being pledged as security for the obligations under the facility.

Payments:

payments of \$15.1 million, in cash distributions to our shareholders in January 2019 in respect of the quarter ended September 30, 2018;

payment of \$5.0 million in March 2019 to the non-controlling shareholders in Hilli LLC in relation to the Hilli Disposal, representing a working capital adjustment to the net purchase price received from Golar Partners;

payment of \$13.0 million to an entity of CCBFL, in January 2019, for the extension of the put-option under the finance lease for the Golar Seal; and

payment of \$19.3 million of scheduled loan and interest repayments.

Golar Viking is currently serving a short-term contract, due to expire in December 2019. Golar has also entered into binding agreements with a Croatian project developer, LNG Hrvatska d.o.o., to convert the 2005 built Golar Viking into a FSRU, sell the converted vessel, and then operate and maintain the FSRU for a minimum of 10 years. Conversion capital expenditure will be funded by stage payments under the agreement. Commencement of this project is subject to certain conditions precedent, including confirmation of project funding and receipt of a Notice to Proceed from LNG Hrvatska d.o.o.

A pre-condition of the Golar Tundra lease financing with CMBL (refer to note 5 "Variable Interest Entities" of our consolidated financial statements included herein) is for the FSRU to be employed under an effective charter. Under the terms of our sale and lease back facility for the Golar Tundra, by virtue of our prior termination of the WAGL charter, we are required to find a replacement charter by June 30, 2019 or we could be required to refinance the FSRU. Accordingly, to address our anticipated working capital requirements over the next 12 months, in the event we are unable to secure a charter for the Golar Tundra, 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 obtain the necessary funds from these refinancings, we cannot be certain that the proposed new credit facilities will be executed in time or at all. However, we have a track record of successfully financing and refinancing our vessels, even in the absence of term charter coverage. In addition to vessel refinancings, if market and economic conditions are favorable, we may also consider further issuances of corporate debt or equity to increase liquidity.

We have performed stress testing of our forecast cash reserves under various theoretical scenarios, which include assumptions such as extremely prudent revenue contributions from our fleet, full operating costs and maintaining our dividend payments based on our most recent pay out, and accordingly are confident of our ability to manage through the near term cash requirements.

Medium to Long-term Liquidity and Cash Requirements

Our medium and long-term liquidity requirements are primarily for funding the investments for our conversion projects including investments into our joint venture, and repayment of long-term debt balances. Sources of funding

for our medium and long-term liquidity requirements include new loans, refinancing of existing financing arrangements, public and private debt or equity offerings, potential sales of our interests in our vessel owning subsidiaries operating under long-term charters (including additional sales of interests in Hilli LLC), and potential use of our investment in the common units of Golar Partners subject to adherence to certain debt covenant requirements as to the maintenance of minimum holdings.

On February 26, Golar entered into an agreement with BP for the charter of a FLNG unit, Gimi, for a 20-year period expected to commence in the second half of 2022. LNG carrier Gimi has been relocated from layup to Keppel Shipyard where a site team has been assembled. Golar also entered into a Shareholders Agreement with Keppel Capital in respect of their participation in a 30% share of the project. Total conversion works, which incorporate lessons learned from FLNG Hilli Episeyo including some improvements and modifications, are expected to cost approximately \$1.3 billion. We anticipate annual contracted revenues less forecasted operating costs of approximately \$215 million per year. Golar is in the final stages of receiving an underwritten credit

commitment for a \$700 million long-term financing facility with a syndicate of international banks that will also be available during construction.

## Cash Flows

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated.

	Year ended December		
	2018	2017	2016
(in millions of \$)			
Net cash provided by (used in) operating activities	116.7	(35.1 )	(115.4)
Net cash (used in) provided by investing activities	(202.5)	(419.9)	3.9
Net cash provided by financing activities	177.4	427.4	234.3
Net increase (decrease) in cash, cash equivalents and restricted cash	91.6	(27.5 )	122.8
Cash, cash equivalents and restricted cash at beginning of year	612.7	640.2	517.4
Cash, cash equivalents and restricted cash at end of year	704.3	612.7	640.2

### Net cash provided by (used in) operating activities

Cash provided by operating activities increased by \$151.8 million to \$116.7 million in 2018 compared to cash utilized of \$35.1 million in 2017. The increase in cash generated in 2018 was primarily due to:

- higher contributions recognized from our participation in the Cool Pool as a result of improved utilization and daily hire rates from the Cool Pool vessels;
- lower charterhire payments as a result of the expiry of the charter-back arrangement of the Golar Grand from Golar Partners in November 2017;
- \$50.7 million in cash receipts in connection with arbitration proceedings with a former charterer of the Golar Tundra; and
- the improvement on the general timing of working capital in 2018 compared to the same period in 2017.

Cash utilized by operating activities decreased by \$80.3 million to \$35.1 million in 2017 compared to \$115.4 million in 2016. The decrease in cash utilized in 2017 was primarily due to:

- the continued tightening of the LNG shipping market, which resulted in an overall increase in charter rates and higher utilization levels of our vessels trading in the Cool Pool;
- lower charterhire payments relating to the charter-back of the Golar Grand from Golar Partners as a result of her drydocking in 2017 in addition to the charter-back arrangement ending on November 1, 2017; and
- the improvement on the general timing of working capital in 2017 compared to the same period in 2016.

### Net cash (used in) provided by investing activities

Net cash used in investing activities of \$202.5 million in 2018 comprised mainly of:

- the addition of \$116.7 million to asset under development relating to payments made in respect of the conversion of the Hilli into a FLNG;
- additions of \$95.5 million to investments in affiliates, which relates principally to capital contributions made to Golar Power of \$55.0 million and our investment in Avenir of \$24.8 million; and

additions to vessels and equipment of \$33.1 million.

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This was partially offset by:

receipt of \$9.7 million from Golar Partners in relation to the Hilli Disposal; and dividends received from Golar Partners. Following the adoption of amendments in ASC 230, we have adopted the cumulative earnings approach in relation to the classification of dividends received from our equity method investees in our statements of cash flows. Accordingly, although \$49.0 million in dividends was received from Golar Partners in 2018, of this, \$33.2 million has been classified in investing activities with the balance in operating activities.

Net cash used in investing activities of \$419.9 million in 2017 comprised mainly of:

the addition of \$390.6 million to asset under development relating to payments made in respect of the conversion of the Hilli into a FLNG; and additional capital contributions of \$111.0 million in respect of our investment in Golar Power.

This was partially offset by:

a deposit received of \$70.0 million from Golar Partners in respect of the Hilli Sale Agreement in August 2017; and dividends received from Golar Partners. Following the adoption of amendments in ASC 230, we have adopted the cumulative earnings approach in relation to the classification of dividends received from our equity method investees in our statements of cash flows. Accordingly, although \$52.7 million in dividends was received from Golar Partners in 2017, which is comparable to that which was received in the same period in 2016, of this, \$25.1 million has been classified in investing activities with the balance in operating activities.

Net cash provided by financing activities

Net cash provided by financing activities is principally generated from funds from new debt, debt refinancings, debt repayments and cash dividends. Net cash provided by financing activities of \$177.4 million in 2018 arose primarily due to proceeds of \$1.2 billion from our debt facilities, including:

\$115.0 million further drawdown on the pre-delivery financing in relation to the conversion of the Hilli into a FLNG; \$960.0 million drawdown on the post-acceptance Hilli sale and leaseback financing in relation to the Hilli Facility; and \$101.0 million of debt proceeds drawn down by the lessor VIE, which owns the Golar Crystal, upon refinancing of its debt into a long-term loan facility. See note 8 "Variable Interest Entities" of our consolidated financial statements included herein.

This was partially offset by:

loan repayments of \$994.9 million, which includes (i) the repayment of \$640.0 million on the pre-delivery financing in relation to the conversion of the Hilli into a FLNG, (ii) payment of \$105.0 million in connection with the refinancing of the Golar Crystal facility mentioned above, (iii) payments of \$76.9 million in connection with the Golar Tundra financing arrangement and (iv) scheduled repayments on our remaining debt facilities; and payment of dividends of \$42.9 million.

Net cash provided by financing activities of \$427.4 million in 2017 arose primarily due to proceeds from our debt facilities, including:

\$275.0 million drawn down on the FLNG Hilli facility in relation to the conversion of the Hilli to a FLNG;

\$112.0 million of debt proceeds in connection with our refinancing of the Golar Crystal debt facility (see note 5 "Variable Interest Entities" of our consolidated financial statements included herein);  
\$150.0 million of debt proceeds from the Margin Loan Facility entered into in March 2017; and  
\$391.4 million of debt proceeds from the new convertible bond which closed in February 2017.

This was partially offset by:

loan repayments of \$446.6 million, which includes the settlement of the balance outstanding on the refinanced Golar Crystal facility of \$101.3 million in March 2017 as well as the buyback of the old convertible bond, which matured in March 2017, amounting to \$219.7 million;  
payment of \$31.2 million for capped call transactions entered into in conjunction with the issuance of the new convertible bond mentioned above; and

payment of dividends of \$20.4 million.

#### Borrowing Activities

As of December 31, 2018, we had total outstanding borrowings, gross of capitalized borrowing costs, of \$2.6 billion, secured by, among other things, our vessels, our ownership in Golar Partners, and unsecured convertible bonds outstanding of \$353.7 million. Please refer to note 20 "Debt" of our consolidated financial statements included herein for further detailed information on our borrowings as of December 31, 2018.

#### Derivatives

We use financial instruments to reduce the risk associated with fluctuations in interest rates and foreign currency exchange rates. We have a portfolio of interest rate swaps that exchange or swap floating rate interest to fixed rates, which from a financial perspective, hedges our obligations to make payments based on floating interest rates. We have also entered into equity derivative swaps, Total Return Swap Agreements, or TRS, in line with our share repurchase program.

#### Interest rate swap agreement

As of December 31, 2018, we have interest rate swaps with a notional amount of \$950 million representing approximately 37.0% of our total debt. Our swap agreements have expiration dates between 2019 and 2021 and have fixed rates of between 1.23% and 1.94%. The total unrealized gain recognized in the consolidated statement of operations relating to our interest rate swap agreements in 2018 was \$0.6 million.

#### Total Return Swap agreement

In December 2014 we entered into a TRS related to 3.0 million of our common shares, which is indexed to our own common shares. In addition, we entered into a forward contract for the acquisition of 107,000 shares in Golar Partners. The total unrealized loss recognized in the consolidated statement of operations relating to our TRS agreement in 2018 was \$30.7 million.

The settlement amount for the TRS transaction will be (A) the market value of the shares at the date of settlement plus all dividends paid by the Company between entering into and settling the contract, less (B) the reference price of the shares agreed at the inception of the contract plus the counterparty's financing costs. Settlement will be either a payment by the counterparty to us, if (A) is greater than (B), or a payment by us to the counterparty, if (B) is greater than (A). There is no obligation for us to purchase any shares under the agreement and this arrangement has been recorded as a derivative transaction, with the fair value of the TRS recognized as an asset or liability as appropriate, and changes in fair values recognized in the consolidated statement of operations.

In addition to the above TRS transaction, we may from time to time enter into short-term TRS arrangements relating to securities in other companies. The above TRS transactions were our only TRS agreements as of December 31, 2018.

#### Hilli LTA

Following the LTA becoming effective in December 2017, and on commencement of the commissioning activities, we recognized a derivative asset ("day one gain") of \$79.6 million, representing the fair value of the estimated discounted cash flows of payments due to us 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 subsequently remeasured to fair value at each balance

sheet date. The fair value as of December 31, 2018 was \$84.7 million (2017: \$94.7 million) and, as a result, the total unrealized loss recognized in the consolidated statement of operations relating to this this derivative was \$10.0 million.

#### Foreign currencies

The majority of our gross earnings are receivable in U.S. dollars. The majority of our transactions, assets and liabilities are denominated in U.S. dollars, our functional currency. However, we also incur a small portion of expenditure in other currencies. We are affected by foreign currency fluctuations primarily through expenditure in respect of our vessels' drydocking, some operating expenses including the effect of paying the majority of our seafaring officers in Euros and the administrative costs of our UK office. The currencies which impact us the most include, but are not limited to, Euros, Norwegian Kroner, Singaporean Dollars, Central African CFA Franc and, to a lesser extent, British Pounds.

## Capital Commitments

### FLNG conversion

Our FLNG conversion commitments are described in Item 18 - Financial Statements: note 29, "Capital Commitments".

## Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following is a discussion of the accounting policies applied by us that are considered to involve a higher degree of judgment in their application. See note 2 "Accounting Policies" of our consolidated financial statements included herein.

### Revenue and related expense recognition

Revenues include minimum lease payments under time charters, fees for repositioning vessels and gross pool revenues. Revenues generated from time charters, which we classify as operating leases, are recorded over the term of the charter as service is provided. However, we do not recognize revenue if a charter has not been contractually committed to by a customer and ourselves, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Repositioning fees (which are included in time charter revenue) received in respect of time charters are recognized at the end of the charter when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the charter, which is not dependent upon redelivery location, the fee will be recognized evenly over the term of the charter. Where a vessel undertakes multiple single voyage time charters, revenue is recognized, including the repositioning fee if fixed and determinable, on a discharge-to-discharge basis. Under this basis, revenue is recognized evenly over the period from departure of the vessel from its last discharge port to departure from the next discharge port. For arrangements where operating costs are borne by the charterer on a pass through basis, the pass through of operating costs is reflected in revenue and expenses.

Liquefaction services revenue is generated from a LTA entered into with our customer. Our provision of liquefaction services capacity includes the receipt of the customer's gas, treatment and temporary storage on board our FLNG, and delivery of LNG to waiting carriers. The liquefaction services capacity provided to our customer is considered a single performance obligation recognized evenly over time as our services are rendered. We consider our services a series of distinct services that are substantially the same and have the same pattern of transfer to our customer. We recognize revenue when obligations under the terms of our contract are satisfied. We have applied the practical expedient to recognize liquefaction services revenue in proportion to the amount we have the right to invoice.

Revenues generated from management fees are recorded rateably over the term of the contract as services are provided.

### Vessels and impairment

Description: We review vessels and equipment for impairment whenever events or circumstances indicate the carrying value of the vessel may not be fully recoverable. When such events or circumstances are present, we assess

recoverability by comparing the vessel's projected undiscounted net cash flows to its carrying value. If the total projected undiscounted net cash flows is lower than the vessel's carrying value, we recognize an impairment loss measured as the excess of the carrying amount over the fair value of the vessel. As of December 31, 2018, for nine of our vessels (refer to note 9 "Impairment of Non-current Assets" of our consolidated financial statements included herein), the carrying value was higher than their estimated market values (based on third party ship broker valuations). As a result, we concluded that an impairment trigger existed and so performed a recoverability assessment for each of these vessels. However, no impairment loss was recognized as, for each of these vessels, the projected undiscounted net cash flows was significantly higher than its carrying value.

Judgments and estimates: The cash flows on which our assessment of recoverability is based is highly dependent upon our forecasts, which are highly subjective and, although we believe the underlying assumptions supporting this assessment are reasonable and appropriate at the time they were made, it is therefore reasonably possible that a further decline in the economic environment could adversely impact our business prospects in the next year. This could represent a triggering event for a further impairment assessment.

Accordingly, the principal assumptions we have used in our recoverability assessment (i.e. projected undiscounted net cash flows basis) included, among others, charter rates, ship operating expenses, utilization, drydocking requirements and residual value. These assumptions are based on historical trends but adjusted for future expectations. Specifically, forecasted charter rates are based on information regarding current spot market charter rate (based on a third party valuation), option renewal rate with the existing counterparty or existing long-term charter rate, in addition to industry analyst and broker reports. Estimated outflows for operating expenses and drydockings are based on historical costs adjusted for assumed inflation.

Effect if actual results differ from assumptions: Although we believe the underlying assumptions supporting the impairment assessment are reasonable, if charter rate trends and the length of the current market downturn vary significantly from our forecasts, management may be required to perform step two of the impairment analysis that could expose us to material impairment charges in the future. Our estimates of vessel market values may not be indicative of the current or future market value of our vessels or prices that we could achieve if we were to sell them and a material loss might be recognized upon the sale of our vessels.

#### Vessel market values

Description: Under "Vessels and impairment", we discuss our policy for assessing impairment of the carrying values of our vessels. During the past few years, the market values of certain vessels in the worldwide fleet have experienced particular volatility, with substantial declines in many vessel classes. There is a future risk that the market value of certain of our vessels could decline below those vessels' carrying value, even though we would not recognize an impairment for those vessels due to our belief that projected undiscounted net cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Judgments and estimates: Our estimates of market value assume that our vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates for our LNG carriers and FSRUs are based on approximate vessel market values that have been received from third party ship brokers, which are commonly used and accepted by our lenders for determining compliance with the relevant covenants in our credit facilities. Vessel values can be highly volatile, such that our estimates may not be indicative of the current or future market value of our vessels or prices that we could achieve if we were to sell. In addition, the determination of estimated market values may involve considerable judgment given the illiquidity of the second hand market for these types of vessels.

Furthermore, in relation to the vessels, the Gimi and the Gandria, whilst they have been earmarked for conversion into FLNG vessels, for consistency with the methodology applied in our impairment review, estimated vessel market values for these vessels is on the basis they operate as LNG carriers/FSRUs.

Effect if actual results differ from assumptions: As of December 31, 2018, while we intend to hold and operate our vessels, were we to hold them for sale, we have determined the fair market value of our vessels, with the exception of the seven vessels, were greater than their carrying value. With respect to these seven vessels, the carrying value of these vessels exceeded their aggregate market value. However, as discussed above, for each of these vessels, the carrying value was less than its projected undiscounted net cash flows, consequently, no impairment loss was recognized.

#### Consolidation of lessor VIE entities

Description: As of December 31, 2018, we leased eight vessels under finance leases from wholly-owned special purpose vehicles ("lessor SPVs") of financial institutions in connection with our sale and leaseback transactions. While we do not hold any equity investments in these lessor SPVs, we have determined that we are the primary beneficiary

of these entities and accordingly, we are required to consolidate these variable interest entities (“VIEs”) into our financial results. The key line items impacted by our consolidation of these VIEs are short-term and long-term debt, restricted cash and short-term deposits and interest expense.

**Judgments and estimates:** In consolidating these lessor VIEs, on a quarterly basis, we must make assumptions regarding the debt amortization profile and the interest rate to be applied against the VIEs’ debt principal. Our estimates are therefore dependent upon the timeliness of receipt and accuracy of financial information provided by these lessor VIE entities. Upon receipt of the audited annual financial statements of the lessor VIEs, we will make a true-up adjustment for any material differences.

**Effect if actual results differ from assumptions:** If audited financial statements of the lessor VIE are not available upon filing of the annual financial statements, there might be differences between the numbers included in our consolidated financial statements and that reported by the VIE, which could be material.



### Impairment of our equity investment in the Partnership

Description: The Company's investment in the Partnership consists of Common Units, GP Units and IDRs. We account for our investment in the Partnership as an equity method investment meaning that the asset is recorded at historical cost adjusted for our proportionate share of the Partnership's earnings and reduced by distributions received from the Partnership. The day one cost of the investment was the fair value of the units on the date of deconsolidation. We are required to review our investment for impairment whenever events or changes indicate that the carrying amount of the investment might not be recoverable. The suppressed Common Unit share price throughout 2018 coupled with the Partnership's distribution cut announced in November, led management to conclude that the decline in the value of the Partnership was "other than temporary".

Judgments and estimates: In calculating the fair value of the Partnership, the Company applied a Monte Carlo Simulation model to estimate the total equity value of the Partnership that then in turn determines the total distribution payment to all unit holders including Common, GP and IDR. The key inputs into the model are the valuation date share price (31 December 2018: \$10.80), the long term volatility curve and the long-term dividend yield of the Partnership. The long term volatility curve takes into accounts movements in the Partnership's share price since IPO and the long-term dividend yield was benchmarked against the Partnership's historical dividend yield.

Effect if actual results differ from assumptions: Although we believe that the underlying assumptions supporting the impairment are reasonable, if a different long-term dividend yield (+/- 2%) was used then this could have led to a different value of the IDR and GP units, however, the difference is not considered material in the context of the overall valuation.

### Recently Issued Accounting Standards

See Item 18. Financial Statements: note 3 "Recently Issued Accounting Standards".

#### C. Research and Development, Patents and Licenses

Not applicable.

#### D. Trend Information

Please see the section of this item entitled "- Market Overview and Trends" and "Item 4. Information on the Company - B. Business Overview - The Natural Gas Industry."

#### E. Off-Balance Sheet Arrangements

We are committed to make rental payments under operating leases for office premises. The future minimum rental payments under our non-cancellable operating leases for office premises are disclosed below in the tabular disclosure of contractual obligations.

#### F. Contractual Obligations

The following table sets forth our contractual obligations for the periods indicated as at December 31, 2018:

(in millions of \$)	Total Obligation	Due in 2019	Due in 2020 – 2021	Due in 2022 – 2023	Due Thereafter
Long-term and short-term debt (1)	2,582.2	732.2	349.6	561.6	938.8

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Interest commitments on long-term debt and other interest rate swaps (2)	451.7	84.9	142.5	103.6	120.7
Operating lease obligations (3)	20.4	5.4	6.4	4.5	4.1
Purchase obligations:					
Egyptian Venture (4)	—	—	—	—	—
FLNG conversion (5)	21.5	21.5	—	—	—
Other non-current liabilities (6)	—	—	—	—	—
Total	3,075.8	844.0	498.5	669.7	1,063.6

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The obligations under long-term and short-term debt above are presented gross of deferred finance charges and exclude interest. Included in these amounts are balances relating to certain lessor entities (for which legal ownership resides with financial institutions) that we are required to consolidate under U.S. GAAP into our financial statements as variable interest entities (see note 5 "Variable Interest Entities ("VIE")" and note 20 "Debt" of our consolidated financial statements included herein).

Our interest commitment on our long-term debt is calculated based on assumed LIBOR rates of between 2.41% to 2.95% and take into account our various margin rates and interest rate swaps associated with each financing arrangement.

We are committed to making rental payments under operating leases for leased offices, equipment and other assets. As at December 31, 2018, we had a commitment to pay \$1.0 million to an unrelated third party, contingent upon the conclusion of a material commercial business transaction by the Egyptian Natural Gas Holding Company, or ECGS, as consideration for work performed in connection with the setting up and incorporation of ECGS. This liability has been excluded from the above table, as the timing of any cash payment is uncertain.

We have a contract with Keppel and Black & Veatch for the conversion of our LNG carrier, the Gimi into a FLNG. The Gimi has recently entered the Keppel shipyard to commence its conversion to a FLNG. The conversion agreement for the Gimi is subject to certain payments and lodging of a full Notice to Proceed.

Subsequently, in February 2019, we entered into a 20 year Lease and Operate Agreement with BP for the charter of a FLNG unit, Gimi, to service the Greater Tortue Ahmeyim project. Subject to certain conditions precedent, the estimated conversion cost of the Gimi is approximately \$1.3 billion.

Our consolidated balance sheet as of December 31, 2018, includes \$145.6 million classified as "Other non-current liabilities" of which \$63.8 million represents the FLNG deferred revenue, being the corresponding liability upon initial recognition of the LTA derivative asset, \$33.0 million represents liabilities under our pension plans, \$14.8 million represents other guarantees provided to Golar Partners and Golar Power and \$27.1 million represents estimated costs to decommission the mooring to which the Hilli will be attached for the duration of the LTA. These liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain or in the case of the derivative, this represents deferred revenue. See note 23 "Other Non-current Liabilities" of our consolidated financial statements included herein for additional information regarding our other non-current liabilities.

We have excluded any capital commitments in relation to the conversion of the Golar Viking into a FSRU as commencement of this project is subject to certain conditions precedent.

For details of the Company's outstanding legal proceedings and claims, please see note 30 "Other Commitments and Contingencies" of our consolidated financial statements included herein.

## G. Safe Harbor

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this report.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

## Directors

The following provides information about each of our directors as of March 15, 2019.

Name	Age	Position
Tor Olav Trøim	56	Chairman of our Board of Directors and Director
Daniel Rabun	64	Director, Audit Committee member and Nomination Committee member
Thorleif Egeli	55	Director
Carl Steen	68	Director, Audit Committee member, Compensation Committee member and Nomination Committee member
Niels Stolt-Nielsen	54	Director and Compensation Committee member
Lori Wheeler Naess	48	Director and Audit Committee Chairperson
Michael Ashford	72	Director and Company Secretary

Tor Olav Trøim has served as a director of the Company since September 2011 and appointed as the Chairman of the Board in September 2017. Mr. Trøim previously served as a director and vice-president of the Company from its incorporation in May 2001 until October 2009, after which time he served as a director and Chairman of the Company's listed subsidiary, Golar LNG Energy Limited. Mr. Trøim graduated with a M.Sc Naval Architect from the University of Trondheim, Norway in 1985. He was formerly an Equity Portfolio Manager with Storebrand ASA (1987-1990), and Chief Executive Officer for the Norwegian Oil Company DNO AS (1992-1995). Mr. Trøim was a director of Seatankers Management in Cyprus from 1995 until September 2014. Mr. Trøim also served as a director and Chairman of ITCL, a director of Seadrill Limited, Golden Ocean Group Limited, Golden State Petro (IOM I-A) Plc, Archer Limited, Golar LNG Partners LP, Seadrill Partners LLC and as an alternate director of Frontline Ltd until September 2014. He currently holds controlling interests in Magni Partners Bermuda and Magni Partners UK. He also serves as a director in Stolt-Nielsen Limited, Borr Drilling and Valerenga Football Club.

Daniel Rabun has served as a director since February 2015 and was appointed Chairman in September 2015. Mr. Rabun resigned as Chairman in September 2017 and was appointed a non-executive director on that date. He also serves on our Audit Committee and Nomination Committee. He joined Ensco in March 2006 as President and as a member of the Board of Directors. Mr. Rabun was appointed to serve as Ensco's Chief Executive Officer from January 1, 2007 and elected Chairman of the Board of Directors in 2007. Mr. Rabun retired from Ensco in May 2014. Prior to joining Ensco, Mr. Rabun was a partner at the international law firm of Baker & McKenzie LLP where he had practiced law since 1986. In May 2015, Mr. Rabun became a non-executive director and a member of the Management Development and Compensation Committee and the Governance and Nominations Committee of Apache Corporation. In May 2018, Mr. Rabun became Chairman of the Board and a member of the Governance and Nomination Committee of Apergy Corporation. He has been a Certified Public Accountant since 1976 and a member of the Texas Bar since 1983. Mr. Rabun holds a Bachelor of Business Administration Degree in Accounting from the University of Houston and a Juris Doctorate Degree from Southern Methodist University.

Thorleif Egeli was appointed as director in September 2018. Mr. Egeli is a member of the Board of Directors in Stimline AS and Hicor and also serves as President on the board of directors at Norwegian American Chamber of Commerce, South West Chapter in Houston, Texas. Mr. Egeli served as Vice President of Schlumberger Production Management - North America, where he managed the non-operating E&P assets for Schlumberger in the US, Canada and Argentina. Prior to this he held a number of senior positions within Schlumberger having begun his career as a Field Engineer in 1990. Between October 2009 and April 2013 Mr. Egeli held a number of positions within Archer including President Latin America, Corporate Marketing and Chief Operating Officer before re-joining Schlumberger in 2013. Mr. Egeli holds a Master of Science (M.Sc) in Mechanical Engineering and an MBA from Rotterdam School of Management, Holland.

Carl Steen has served as a director since January 2015 and currently serves on our Audit Committee, Compensation Committee and Nomination Committee. He has also served on Golar Partners' board of directors since his appointment in August 2012. Mr. Steen graduated in 1975 from ETH Zurich Switzerland with a M.Sc in Industrial and Management Engineering. After working for a number of high profile companies, Mr. Steen joined Nordea Bank from January 2001 to February 2011 as head of the bank's Shipping, Oil Services & International Division. Mr. Steen holds directorship positions in various Norwegian and international companies including Euronav NV, Wilh Wilhelmsen Holding ASA and Belships ASA.

Niels Stolt-Nielsen has served as a director since September 2015 and also serves on our Compensation Committee. Mr. Stolt-Nielsen is a shareholder in Stolt-Nielsen Limited, and has served as a director of Stolt-Nielsen Limited since 1996 and as Chief Executive Officer since 2000. He served as Interim Chief Executive Officer of Stolt Offshore S.A. from September 2002

until March 2003. He was the President of Stolt Sea Farm from 1996 until 2001. He has served as Chairman of Avance Gas Holding Ltd. since 2010. Mr. Stolt-Nielsen graduated from Hofstra University in 1990 with a BS degree in Business and Finance. Mr. Stolt-Nielsen brings with him extensive shipping, customer relations and logistical experience.

Lori Wheeler Naess was appointed as a director and Audit Committee Chairperson in February 2016. Ms. Naess also serves on the Board and Audit Committee of Opera Limited, a U.S.-listed company and Klaveness Combination Carriers ASA, a privately-held shipping company in Norway. Ms. Naess was most recently a director with PricewaterhouseCoopers in Oslo and was a Project Leader for the Capital Markets Group. Between 2010 and 2012 she was a Senior Advisor for the Financial Supervisory Authority in Norway and prior to this she was also with PricewaterhouseCoopers in roles in the U.S., Norway and Germany. Ms. Naess is a U.S. Certified Public Accountant.

Michael Ashford served as Company Secretary from October, 2016 before being appointed to the Board in September, 2017. Mr. Ashford is a Chartered Secretary and is a current member and Past President of the International Council of the Institute of Chartered Secretaries and Administrators. Mr. Ashford has previously held various directorship and company secretary positions in shipping and aviation companies.

#### Executive Officers

The following provides information about each of our executive officers as of March 15, 2019.

On March 19, 2018, Graham Robjohns replaced Brian Tienzo as our Chief Financial Officer. In addition, Mr. Robjohns assumed the role of Deputy Chief Executive Officer of Golar. Previously, Mr. Robjohns served as Golar Partners' Principal Executive Officer since July 2011. Mr. Tienzo will serve as the Principal Executive Officer of Golar Partners and will continue to serve as the Principal Financial Officer and Principal Accounting Officer of Golar Partners.

Name	Age	Position
Iain Ross	57	Chief Executive Officer – Golar Management
Graham Robjohns	54	Chief Financial Officer and Deputy Chief Executive Officer – Golar Management
Øistein Dahl	58	Chief Operating Officer – Golar Management Norway
Morten Daviknes	53	Chief Technical Officer – Golar Management Norway

Iain Ross has served as Chief Executive Officer since September 21, 2017. Between 2002 and joining Golar, Mr. Ross held various executive level positions with project delivery firm WorleyParsons Limited. Positions included Group Managing Director, Development, an ExCo position with responsibility for leadership of the Global Hydrocarbons, Power, Infrastructure and Mining Sectors, the development of the group Strategy, Mergers & Acquisitions (including integration of acquired companies) and, finally, as leader of their Digital Technology start-up. Mr. Ross has a bachelor's degree in Mechanical Engineering from Heriot-Watt University, is a Fellow of Engineers Australia and certified International Director from INSEAD.

Graham Robjohns was appointed as our Deputy Chief Executive Officer and Chief Financial Officer in March 2018. Between July 2011 and March 2018, Mr. Robjohns acted as Golar Partners' Principal Executive Officer and, from April 2011 to July 2011, as their Chief Executive Officer and Chief Financial Officer. Mr. Robjohns also served as Chief Executive Officer for Seadrill Partners LLC from June 2012 to August 2015. He has served as a director of Seadrill Partners LLC since 2012. Mr. Robjohns served as the Chief Financial Officer of Golar from November 2005 until June 2011. Mr. Robjohns also served as Chief Executive Officer of Golar from November 2009 until July 2011. Mr. Robjohns served as Group Financial Controller of Golar Management from May 2001 to November 2005

and as Chief Accounting Officer of Golar Management from June 2003 until November 2005. Mr. Robjohns is a member of the Institute of Chartered Accountants in England and Wales and has a BSc degree in Economics with Politics from Loughborough University.

Øistein Dahl has served as Managing Director of Golar Management Norway (previously Golar Wilhelmsen) since September 2011 and as Chief Operating Officer of Golar Management since April 2012. Prior to September 2011, he worked for the Leif Höegh & Company Group (roll-on roll-off, tank, bulk, reefer general cargo and LNG vessels). He held various positions within the Höegh Group of companies within vessel management, newbuildings and projects, as well as business development before becoming President for Höegh Fleet in October 2007, a position he held for four years. Mr. Dahl has also worked within offshore engineering and with the Norwegian Class Society, DNV-GL. Mr. Dahl has a M.Sc degree from the NTNU technical university in Trondheim, Norway.

Morten Daviknes joined Golar in 2010. Prior to his appointment as Chief Technical Officer in 2018, Mr. Daviknes served as Project Manager for the company's first integrated FSRU conversion and mooring, the Nusantara Regas Satu, and more recently as Project Director for the world's first FLNG conversion, Hilli Episeyo. Prior to joining Golar, Morten held various engineering and project management positions overseeing the conversion of 4 FPSO's at Sea Production Limited and BW Offshore. Shortly after leaving university Morten also worked on the conversion of a platform for the multi-national spacecraft launch service, Sea Launch. Mr. Daviknes has a M.Sc degree from the NTNU technical university in Trondheim.

#### B. Compensation

For the year ended December 31, 2018, we paid to our directors and executive officers aggregate cash compensation (including bonus) of \$4.0 million and an aggregate amount of \$0.1 million for pension and retirement benefits. During the year ended December 31, 2018, we granted options covering 0.5 million common shares at a weighted average exercise price of \$27.57 with an expiration date of 2023. For a description of our stock option plan please refer to the section of this item entitled "E. Share Ownership - Option Plan" below.

In addition to cash compensation, during 2018 we also recognized an expense of \$3.7 million relating to stock options issued to certain of our directors and executive officers. See note 25 "Share Capital and Share Options" of our consolidated financial statements included herein.

#### C. Board Practices

Our directors do not have service contracts with the Company and do not receive any benefits upon termination of their directorships. Our board of directors established an audit committee in July 2005, which is responsible for overseeing the quality and integrity of our financial statements and its accounting, auditing and financial reporting practices, our compliance with legal and regulatory requirements, the independent auditor's qualifications, independence and performance and our internal audit function. Our audit committee consists of three members, Lori Wheeler Naess, Daniel Rabun and Carl Steen who are all Company directors. In addition, the board of directors also has compensation and nominations committees, details of which are further described in "Item 16G. Corporate Governance".

Our board of directors is elected annually at the annual general meeting. Officers are appointed from time to time by our board of directors and hold office until a successor is elected.

As a foreign private issuer we are exempt from certain Nasdaq requirements that are applicable to U.S. listed companies. Please see the section of this Annual Report entitled "Item 16G. Corporate Governance" for a discussion of how our corporate governance practices differ from those required of U.S. companies listed on the Nasdaq.

#### D. Employees

As of December 31, 2018, we employed approximately 194 people in our offices in Bermuda, Cameroon, Croatia, London, Malaysia and Oslo. We also employ approximately 706 seagoing employees. These employees serve both Golar and Golar Partners.

#### E. Share Ownership

The table below shows the number and percentage of our issued and outstanding common shares beneficially owned by our directors and officers as of March 15, 2019. Also shown are their interests in share options awarded to them under our various share option schemes. The subscription price for options granted under the schemes will normally



be reduced by the amount of all dividends declared by us in the period from the date of grant until the date the option is exercised.

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Director or Officer	Beneficial Ownership in Common Shares		Interest in Options		
	Number of shares	%	Total number of options	Exercise price	Expiry date
Tor Olav Trøim	5,233,953 <sup>(1)</sup>	5.18%	150,000	\$ 55.48	2019
			5,310	\$ 21.03	2021
			103,970	\$ 26.74	2022
			11,840	\$ 27.20	2023
Daniel Rabun	*	*	75,000	\$ 21.03	2021
			11,905	\$ 26.74	2022
			3,950	\$ 27.20	2023
Carl Steen	—	—	5,310	\$ 21.03	2021
			3,970	\$ 26.74	2022
			3,950	\$ 27.20	2023
Niels Stolt-Nielsen	2,421,313 <sup>(2)</sup>	2.39%	5,310	\$ 21.03	2021
			3,970	\$ 26.74	2022
			3,950	\$ 27.20	2023
Lori Wheeler Naess	—	—	5,310	\$ 21.03	2021
			3,970	\$ 26.74	2022
			3,950	\$ 27.20	2023
Michael Ashford	—	—	3,950	\$ 27.20	2023
Iain Ross	—	—	300,000	\$ 20.81	2022
Graham Robjohns	—	—	45,000	\$ 55.48	2019
			4,600	\$ 55.48	2020
			29,250	\$ 22.88	2021
			11,200	\$ 27.20	2023
Øistein Dahl	*	*	75,000	\$ 55.48	2019
			6,100	\$ 55.48	2020
			50,000	\$ 22.88	2021
			8,400	\$ 27.20	2023
Thorleif Egeli	*	*	—	N/A	N/A
Morten Daviknes	*	*	50,000	\$ 55.48	2019
			4,400	\$ 55.48	2020
			33,000	\$ 22.88	2021
			4,500	\$ 27.20	2023

\* Less than 1%.

(1) Drew Holdings Limited, a company controlled by Tor Olav Trøim, is party to separate TRS agreements relating to 3,745,953 common shares, which are included within this balance.

(2) Included within this balance are 2,421,313 shares which are owned by Stolt-Nielsen Limited, a company controlled by Niels Stolt-Nielsen.

Our directors and executive officers have the same voting rights as all other holders of our common shares.

#### Option Plans

The Golar Long Term Incentive Plan (the "LTIP") was adopted by our board of directors, effective as of October 24, 2017. The purpose of the LTIP is primarily to provide a means through which Golar and its affiliates may attract,

retain and motivate qualified persons as employees, directors and consultants. Accordingly, the LTIP provides for the grant of options and other awards as determined by the board of directors in its sole discretion.

As of December 31, 2018, 2.5 million of our authorized and unissued common shares were reserved for issue pursuant to subscription under options granted under the Company's share option plans. For further detail on share options please see note 25 "Share Capital and Share Options" of our consolidated financial statements included herein.

The exercise price of options are reduced by the value of dividends paid, on a per share basis. Accordingly, the above figures show the reduced exercise price as of March 15, 2019.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major shareholders

The following table presents certain information as of March 15, 2019 regarding the beneficial ownership of our common shares with respect to each shareholder that we know to beneficially own more than 5% of our issued and outstanding common shares:

Owner	Common Shares	
	Number	Percent
Orbis Investment Management Ltd <sup>(1)</sup>	8,924,611	18.81 %
FMR LLC <sup>(2)</sup>	7,405,457	7.31 %
Barrow, Hanley, Mewhinney and Strauss, LLC <sup>(3)</sup>	5,760,565	5.69 %

(1) Information derived from the Schedule 13G of Orbis Investment Management Ltd filed with the Commission on February 14, 2019.

(2) Information derived from the Schedule 13G/A of FMR LLC filed with the Commission on February 13, 2019.

(3) Information derived from the Schedule 13G of Barrow, Hanley, Mewhinney and Strauss LLC filed with the Commission on February 11, 2019.

Our major shareholders have the same voting rights as all of our other common shareholders. To our knowledge, no corporation or foreign government owns more than 50% of issued and outstanding common shares. We are not aware of any arrangements the operation of which may, at a subsequent date, result in a change of control of the Company.

### B. Related party transactions

There are no provisions in our Memorandum of Association or Bye-Laws regarding related party transactions. The Bermuda Companies Act of 1981 provides that a company, or one of its subsidiaries, may enter into a contract with an officer of the company, or an entity in which an officer has a material interest, if the officer notifies the directors of his or her interest in the contract or proposed contract.

The related party transactions that we were party to between January 1, 2018 and December 31, 2018 are described in note 28 "Related Party Transactions" of our consolidated financial statements included herein.

### C. Interests of Experts and Counsel

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

A. Consolidated Financial Statements and Other Financial Information

See "Item 18. Financial Statements"

Legal proceedings and claims

We may, from time to time, be involved in legal proceedings and claims that arise in the ordinary course of business. A provision will be recognized in the financial statements only where we believe that a liability will be probable and for which the amounts are reasonably estimable, based upon the facts known prior to the issuance of the financial statements.

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#### UK tax lease benefits

During 2003 we entered into six UK tax leases. Under the terms of the leasing arrangements, the benefits are derived primarily from the tax depreciation assumed to be available to the lessors as a result of their investment in the vessels. HMRC has been challenging the use of similar lease structures and has been engaged in litigation of a test case, with an unrelated party, 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 the tax payer, the First Tier Tribunal (UK court) ruled in favor of HMRC. We have reviewed the details of the case and the basis of the judgment with our legal and tax advisers to ascertain what impact, if any, the judgment may have on us and the possible range of loss. We are currently in conversation with HMRC on this matter, presenting the factual background of our position, and are progressing the possibility of bringing this inquiry to a mutually satisfactory conclusion. See note 30 "Other Commitments and Contingencies" of our consolidated financial statements included herein for further details.

#### Dividend distribution policy

Our long-term objective is to pay a regular dividend in support of our main objective to provide significant returns to shareholders. The level of our dividends will be guided by current earnings, market prospects, capital expenditure requirements and investment opportunities.

Any future dividends declared will be at the discretion of the board of directors and will depend upon our financial condition, earnings and other factors, such as any restrictions in our financing arrangements. Our ability to declare dividends is also regulated by Bermuda law, which prohibits us from paying dividends if, at the time of distribution, we will not be able to pay our liabilities as they fall due or the value of our assets is less than the sum of our liabilities, issued share capital and share premium.

In addition, since we are a holding company with no material assets other than the shares of our subsidiaries and affiliates through which we conduct our operations, our ability to pay dividends will depend on our subsidiaries and affiliates distributing to us their earnings and cash flow. Some of our loan agreements limit or prohibit our and our subsidiaries' and affiliates' ability to make distributions to us without the consent of our lenders.

For 2018, our board of directors declared quarterly dividends in May 2018, August 2018, November 2018 and February 2019 in the aggregate amount of \$48.1 million, or \$0.475 per share.

For 2017, our board of directors declared quarterly dividends in May 2017, August 2017, November 2017 and February 2018 in the aggregate amount of \$19.7 million, or \$0.20 per share.

For 2016, our board of directors declared quarterly dividends in June 2016, September 2016, December 2016 and March 2017 in the aggregate amount of \$19.5 million, or \$0.20 per share.

#### B. Significant Changes

There have been no significant changes since the date of our consolidated financial statements included in this report, other than as described in note 31 "Subsequent Events" of our consolidated financial statements included herein.

### ITEM 9. THE OFFER AND LISTING

#### C. Markets

Our common shares have traded on the Nasdaq since December 12, 2002 under the symbol "GLNG".

ITEM 10. ADDITIONAL INFORMATION

This section summarizes our share capital and the material provisions of our Memorandum of Association and Bye-Laws, including rights of holders of our common shares. The description is only a summary and does not describe everything that our Memorandum of Association and Bye-laws contain. The Memorandum of Association and the Bye-Laws of the Company have previously been filed as Exhibits 1.1 and 1.2, respectively to the Company's Registration Statement on Form 20-F, (File No. 000-50113) filed with the Commission on November 27, 2002, and are hereby incorporated by reference into this Annual Report.

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At the 2013 Annual General Meeting of the Company, our shareholders voted to amend the Company's Bye-laws to ensure conformity with revisions to the Bermuda Companies Act 1981, as amended. These amended Bye-laws of the Company as adopted on September 20, 2013, were filed as Exhibit 3.1 to our report on Form 6-K filed with the Commission on July 1, 2014, and are hereby incorporated by reference into this Annual Report.

A. Share capital

Not applicable.

B. Memorandum of Association and Bye-laws

The object of our business, as stated in Section Six of our Memorandum of Association, is to engage in any lawful act or activity for which companies may be organized under the Companies Act, 1981 of Bermuda, or the Companies Act, other than to issue insurance or re-insurance, to act as a technical advisor to any other enterprise or business or to carry on the business of a mutual fund. Our Memorandum of Association and Bye-laws do not impose any limitations on the ownership rights of our shareholders.

Shareholder Meetings. Under our Bye-laws, annual shareholder meetings will be held in accordance with the Companies Act at a time and place selected by our board of directors. The quorum at any annual or general meeting is equal to one or more shareholders, either present in person or represented by proxy, holding in the aggregate shares carrying 33 1/3% of the exercisable voting rights. Special meetings may be called at the discretion of the board of directors and at the request of shareholders holding at least one-tenth of all outstanding shares entitled to vote at a meeting. Annual shareholder meetings and special meetings must be called by not less than seven days' prior written notice specifying the place, day and time of the meeting. The board of directors may fix any date as the record date for determining those shareholders eligible to receive notice of and to vote at the meeting.

The Companies Act provides that a company must have a general meeting of its shareholders in each calendar year. The Companies Act does not impose any general requirements regarding the number of voting shares which must be present or represented at a general meeting in order for the business transacted at the general meeting to be valid. The Companies Act generally leaves the quorum for shareholder meetings to the company to determine in its Bye-laws. The Companies Act specifically imposes special quorum requirements where the shareholders are being asked to approve the modification of rights attaching to a particular class of shares (33.33%) or an amalgamation or merger transaction (33.33%) unless in either case the Bye-laws provide otherwise. The Company's Bye-laws do not provide for a quorum requirement other than 33.33%.

There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote our common shares.

The key powers of our shareholders include the power to alter the terms of the Company's Memorandum of Association and to approve and thereby make effective any alterations to the Company's Bye-laws made by the directors. Dissenting shareholders holding 20% of the Company's shares may apply to the Court to annul or vary an alteration to the Company's Memorandum of Association. A majority vote against an alteration to the Company's Bye-laws made by the directors will prevent the alteration from becoming effective. Other key powers are to approve the alteration of the Company's capital including a reduction in share capital, to approve the removal of a director, to resolve that the Company be wound up or discontinued from Bermuda to another jurisdiction or to enter into an amalgamation or winding up. Under the Companies Act, all of the foregoing corporate actions require approval by an ordinary resolution (a simple majority of votes cast), except in the case of an amalgamation or merger transaction, which requires approval by 75% of the votes cast unless the Bye-Laws provide otherwise. The Company's Bye-laws only require an ordinary resolution to approve an amalgamation. In addition, the Company's Bye-laws confer express



power on the board to reduce its issued share capital selectively with the authority of an ordinary resolution.

The Companies Act provides shareholders holding 10% of the Company's voting shares the ability to request that the board of directors shall convene a meeting of shareholders to consider any business which the shareholders wish to be discussed by the shareholders including (as noted below) the removal of any director. However, the shareholders are not permitted to pass any resolutions relating to the management of the Company's business affairs unless there is a pre-existing provision in the Company's Bye-laws which confers such rights on the shareholders. Subject to compliance with the time limits prescribed by the Companies Act, shareholders holding 20% of the voting shares (or alternatively, 100 shareholders) may also require the directors to circulate a written statement not exceeding 1000 words relating to any resolution or other matter proposed to be put before, or dealt with at, the annual general meeting of the Company.

Majority shareholders do not generally owe any duties to other shareholders to refrain from exercising all of the votes attached to their shares. There are no deadlines in the Companies Act relating to the time when votes must be exercised.

The Companies Act provides that a company shall not be bound to take notice of any trust or other interest in its shares. There is a presumption that all the rights attaching to shares are held by, and are exercisable by, the registered holder, by virtue of being registered as a member of the company. The company's relationship is with the registered holder of its shares. If the registered holder of the shares holds the shares for someone else (the beneficial owner) then if the beneficial owner is entitled to the shares, the beneficial owner may give instructions to the registered holder on how to vote the shares. The Companies Act provides that the registered holder may appoint more than one proxy to attend a shareholder meeting, and consequently where rights to shares are held in a chain, the registered holder may appoint the beneficial owner as the registered holder's proxy.

**Directors.** The Companies Act provides that the directors shall be elected or appointed by the shareholders. A director may be elected by a simple majority vote of shareholders, at a meeting where shareholders holding not less than 33.33% of the voting shares are present in person or by proxy. A person holding 50% or more of the voting shares of the Company will be able to elect all of the directors, and to prevent the election of any person whom such shareholder does not wish to be elected. There are no provisions for cumulative voting in the Companies Act or the Bye-laws and the Company's Bye-laws do not contain any super-majority voting requirements. The appointment and removal of directors is covered by Bye-laws 86, 87 and 88.

There are procedures for the removal of one or more of the directors by the shareholders before the expiration of his term of office. Shareholders holding 10% or more of the voting shares of the Company may require the board of directors to convene a shareholder meeting to consider a resolution for the removal of a director. At least 14 days' written notice of a resolution to remove a director must be given to the director affected, and that director must be permitted to speak at the shareholder meeting at which the resolution for his removal is considered by the shareholders.

The Companies Act stipulates that an undischarged bankruptcy of a director (in any country) shall prohibit that director from acting as a director, directly or indirectly, and taking part in or being concerned with the management of a company, except with leave of the court. The Company's Bye-Law 89 is more restrictive in that it stipulates that the office of a Director shall be vacated upon the happening of any of the following events (in addition to the Director's resignation or removal from office by the shareholders):

- If he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that he shall be removed from office;
- ¶ If he becomes bankrupt or compounds with his creditors;
- ¶ If he is prohibited by law from being a Director; or
- ¶ If he ceases to be a Director by virtue of the Companies Act.

Under the Company's Bye-laws, the minimum number of directors comprising the board of directors at any time shall be two. The board of directors currently consists of seven directors. The quorum necessary for the transaction of business of the board may be fixed by the board and shall constitute a majority of the board. The minimum and maximum number of directors comprising the board of directors from time to time shall be determined by way of an ordinary resolution of the shareholders of the Company. The shareholders may, at the annual general meeting by ordinary resolution, determine that one or more vacancies in the board of directors be deemed casual vacancies. The board of directors, so long as a quorum remains in office, shall have the power to fill such casual vacancies. Each director will hold office until the next annual general meeting or until his successor is appointed or elected. The shareholders may call a Special General Meeting for the purpose of removing a director, provided notice is served upon the concerned director 14 days prior to the meeting and he is entitled to be heard. Any vacancy created by such a removal may be filled at the meeting by the election of another person by the shareholders or in the absence of such election, by the board of directors.

Subject to the provisions of the Companies Act, a director of a company may, notwithstanding his office, be a party to or be otherwise interested in any transaction or arrangement with that company, and may act as director, officer, or employee of any party to a transaction in which the company is interested. Under our Bye-Law 92, provided an interested director declares the nature of his or her interest immediately or thereafter at a meeting of the board of directors, or by writing to the directors as required by the Companies Act, a director shall not by reason of his office be held accountable for any benefit derived from any outside office or employment. The vote of an interested director, provided he or she has complied with the provisions of the Companies Act and our Bye-Laws with regard to disclosure of his or her interest, shall be counted for purposes of determining the existence of a quorum.

The Company's Bye-law 94 provides the board of directors with the authority to exercise all of the powers of the Company to borrow money and to mortgage or charge all or any part of our property and assets as collateral security for any debt, liability or obligation. The Company's directors are not required to retire because of their age, and the directors are not required to be holders of the Company's common shares. Directors serve for a one year term, and shall serve until re-elected or until their successors are appointed at the next annual general meeting. The Company's Bye-laws provide that no director, alternate director, officer or member of a committee, if any, resident representative, or his heirs, executors or administrators, whom we refer to collectively as an indemnitee, is liable for the acts, receipts, neglects or defaults of any other such person or any person involved in our formation, or for any loss or expense incurred by us through the insufficiency or deficiency of title to any property acquired by us, or for the insufficiency or deficiency of any security in or upon which any of our monies shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person with whom any monies, securities, or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default, or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of his duties, or supposed duties, to us or otherwise in relation thereto. Each indemnitee will be indemnified and held harmless out of our funds to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such director, alternate director, officer, committee member or resident representative (or in his reasonable belief that he is acting as any of the above). In addition, each indemnitee shall be indemnified against all liabilities incurred in defending any proceedings, whether civil or criminal, in which judgment is given in such indemnitee's favor, or in which he is acquitted or in connection with any application under the Companies Act in which relief from liability is granted to him by the court. The Company is authorized to purchase insurance to cover any liability it may incur under the indemnification provisions of its Bye-laws. The indemnity provisions are covered by Bye-laws 138 through 146.

**Dividends.** Holders of common shares are entitled to receive dividend and distribution payments, pro rata based on the number of common shares held, when, as and if declared by the board of directors, in its sole discretion. Any future dividends declared will be at the discretion of the board of directors and will depend upon our financial condition, earnings and other factors.

As a Bermuda exempted company, we are subject to Bermuda law relating to the payment of dividends. We may not pay any dividends if, at the time the dividend is declared or at the time the dividend is paid, there are reasonable grounds for believing that, after giving effect to that payment;

- we will not be able to pay our liabilities as they fall due; or
- the realizable value of our assets is less than our liabilities.

In addition, since we are a holding company with no material assets, and conduct our operations through subsidiaries and our affiliates, our ability to pay any dividends to shareholders will depend on our subsidiaries' and affiliates distributing to us their earnings and cash flow. Some of our loan agreements currently limit or prohibit our subsidiaries' ability to make distributions to us and our ability to make distributions to our shareholders.

**Share repurchases and preemptive rights.** Subject to certain balance sheet restrictions, the Companies Act permits a company to purchase its own shares if it is able to do so without becoming cash flow insolvent as a result. The restrictions are that the par value of the share must be charged against the company's issued share capital account or a company fund which is available for dividend or distribution or be paid for out of the proceeds of a fresh issue of shares. Any premium paid on the repurchase of shares must be charged to the company's current share premium account or charged to a company fund which is available for dividend or distribution. The Companies Act does not impose any requirement that the directors shall make a general offer to all shareholders to purchase their shares pro rata to their respective shareholdings. The Company's Bye-Laws do not contain any specific rules regarding the

procedures to be followed by the Company when purchasing its own shares, and consequently the primary source of the Company's obligations to shareholders when the Company tenders for its shares will be the rules of the listing exchanges on which the Company's shares are listed. The Company's power to purchase its own shares is covered by Bye-laws 9, 10 and 11.

The Companies Act does not confer any rights of pre-emption on shareholders when a company issues further shares, and no such rights of pre-emption are implied as a matter of common law. The Company's Bye-Laws do not confer any rights of pre-emption. Bye-Law 8 specifically provides that the issuance of more shares ranking pari passu with the shares in issue shall not constitute a variation of class rights, unless the rights attached to shares in issue state that the issuance of further shares shall constitute a variation of class rights. Bye-Law 12 confers on the directors the right to dispose of any number of unissued shares forming part of the authorized share capital of the Company without any requirement for shareholder approval. The Company's power to issue shares is covered by Bye-laws 12, 13, 14, and 15.

Liquidation. In the event of our liquidation, dissolution or winding up, the holders of common shares are entitled to share in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

C. Material contracts

The following is a list of each material contract, other than material contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19:

1. Rules of Golar LNG Limited Bermuda Employee Share Option Scheme.
2. Omnibus Agreement dated April 13, 2011, by and among Golar LNG Limited, Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited.
3. Amendment No. 1 to Omnibus Agreement, dated October 5, 2011 by and among Golar LNG Limited, Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited.
4. Bermuda Tax Assurance, dated May 23, 2011.
5. Engineering, Procurement and Construction Contract, dated July 21, 2015 by and between Golar Gandria N.V. and Keppel Shipyard Limited.
6. Memorandum of Agreement, dated September 9, 2015, by and between Golar Hilli Corporation and Fortune Lianjiang Shipping S.A.
7. Bareboat charter by and between Golar Hilli Corp. and Fortune Lianjiang Shipping S.A., dated September 9, 2015.
8. Additional Clauses to the Bareboat Charter Party dated September 9, 2015 between Golar Hilli Corp. and Fortune Lianjiang Shipping S.A.
9. Common Terms Agreements, by and between Golar Hilli Corp. and Fortune Lianjiang Shipping S.A., dated September 9, 2015.
10. Management and Administrative Services Agreement, effective as of April 1, 2016, between Golar LNG Partners LP and Golar Management Limited.
11. Share Purchase Agreement, dated June 17, 2016, by and between Golar LNG and Stonepeak Infrastructure Fund II Cayman (G) Ltd.
12. Investment and Shareholders Agreement, dated July 5, 2016, by and among Golar LNG Limited, Stonepeak Infrastructure Fund II Cayman (G) Ltd and Golar Power Limited.
13. Second Amended and Restated Agreement of Limited Partnership of Golar LNG Partners LP dated October 19, 2016.
14. Exchange Agreement, dated October 13, 2016, by and among Golar LNG Partners LP, Golar LNG Limited and Golar GP LLC.
15. Indenture, dated February 17, 2017, between Golar LNG Limited and Deutsche Bank Trust Company Americas as a Bond Trustee.
16. Loan Agreement, dated March 3, 2017, by and between Golar ML LLC and Citibank N.A.
17. General Management Agreement, dated April 4, 2017, by and between Golar Management Ltd and Golar Power Limited.
18. Purchase and Sale Agreement, dated August 15, 2017, by and among Golar LNG Limited, KS Investments Pte. Ltd., Black & Veatch International Company and Golar Partners Operating LLC.
19. 2017 Long-Term Incentive Plan.
20. Liquefaction Tolling Agreement, dated November 29, 2017, between Societe Nationale de Hydrocarbures, Perenco Cameroon SA, Golar Hilli Corporation and Golar Cameroon SASU.
21. Amendment Agreement, dated March 23 2018, relating to the Purchase and Sale Agreement by and between Golar LNG Partners LP, Golar LNG Limited, KS Investments Pte. Ltd. and Black & Veatch International Company.
22. Amended and Restated Limited Liability Company Agreement of Golar Hilli LLC, dated July 12, 2018.
23. Golar LNG Partners LP Guarantee Agreement, dated as of July 12, 2018.

24. Amended and Restated Loan Agreement, dated July 20, 2018, by and between Golar ML LLC and Citibank N.A. Guarantee by and among Golar Power Limited, Golar LNG Limited and Compass Shipping 23 Corporation
25. Limited dated September 25, 2018.
26. Amended and Restated Engineering, Procurement and Construction Contract, dated December 13, 2018, by and between Golar Gimi Corporation and Keppel Shipyard Limited.
27. Lease and Operate Agreement, dated February 26, 2019, by and between Gimi MS Corporation and BP Mauritania Investments Limited.

For a further discussion of these contracts and the related transactions, please refer to "Item 4. Information on the Company-A. History and Development of the Company," "Item 4. Information on the Company-B. Business Overview," "Item 5. Operating and Financial Review and Prospects-A. Operating Results," "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources," "Item 6. Directors, Senior Management and Employees--E. Share Ownership," "Item 7. Major

Shareholders and Related Party Transactions-B. Related Party Transactions" and "Item 10. Additional Information--E. Taxation." Other than as discussed in this Annual Report, we have no material contracts, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries are a party.

#### D. Exchange Controls

The Bermuda Monetary Authority, or the BMA, must give permission for all issuances and transfers of securities of a Bermuda exempted company like us, unless the proposed transaction is exempted by the BMA's written general permissions. We have received a general permission from the BMA to issue any unissued common shares, and for the free transferability of the common shares as long as our common shares are listed on the Nasdaq. Our common shares may therefore be freely transferred among persons who are residents or non-residents of Bermuda.

Although we are incorporated in Bermuda, we are classified as non-resident of Bermuda for exchange control purposes by the BMA. Other than transferring Bermuda Dollars out of Bermuda, there are no restrictions on our ability to transfer funds into or out of Bermuda to pay dividends to U.S. residents who are holders of our common shares or other non-resident holders of our common shares in currency other than Bermuda Dollars.

#### E. Taxation

The following is a discussion of the material U.S. federal income tax and Bermuda tax considerations relevant to a U.S. Holder, as defined below, of our common stock. This discussion does not purport to deal with the tax consequences of owning our common stock to all categories of investors, some of which, such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding our common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, persons who are investors in partnerships or other pass-through entities for U.S. federal income tax purposes, dealers in securities or currencies, U.S. Holders whose functional currency is not the U.S. dollar, persons required to recognize income for U.S. federal income tax purposes no later than when such income is included on an "applicable financial statement" and investors that own, actually or under applicable constructive ownership rules, 10% or more (by vote or value) of our shares of common stock, may be subject to special rules. This discussion deals only with holders who hold the shares of our common stock as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of our common stock.

#### Taxation of Operating Income

##### U.S. Taxation of our Company

Shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping income attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States. We are not permitted by law to engage in transportation that gives rise to 100% U.S. source income.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside of the United States. Shipping income derived from sources outside of the United States will not be subject to U.S. federal income tax.



Unless exempt from U.S. federal income tax under section 883 of the Code, we will be subject to U.S. federal income tax, in the manner discussed below, to the extent our shipping income is derived from sources within the United States.

Based upon our current and anticipated shipping operations, our vessels are and will be operated in various parts of the world, including to or from U.S. ports.

#### Application of Section 883 of the Code

We have made special U.S. federal tax elections in respect of all our vessel-owning or vessel-operating subsidiaries that are potentially subject to U.S. federal income tax on shipping income derived from sources within the United States. The effect of such elections is to disregard the subsidiaries for which such elections have been made as separate taxable entities for U.S. federal income tax purposes.

Under section 883 of the Code and the Treasury Regulations promulgated thereunder, we, and each of our subsidiaries, will be exempt from U.S. federal income taxation on our respective U.S. source shipping income if the following three conditions are met:

- we and each subsidiary are organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States with respect to the types of U.S. source international transportation income that we earn (or an equivalent exemption);
- we satisfy the publicly traded test or the qualified shareholder stock ownership test as described in the Section 883 Regulations; and
- we meet certain substantiation, reporting and other requirements.

The U.S. Treasury Department has recognized (i) Bermuda, our country of incorporation, and (ii) the countries of incorporation of each of our subsidiaries that has earned shipping income from sources within the United States as qualified foreign countries. Accordingly, we and each such subsidiary satisfy the country of organization requirement.

Due to the public nature of our shareholdings, we do not believe that we will be able to substantiate that we satisfy the ownership requirement. However, as described below, we believe that we will be able to satisfy the publicly-traded requirement.

The Treasury Regulations under section 883 of the Code provide that the stock of a foreign corporation will be considered to be "primarily traded" on an "established securities market" if the number of shares of each class of stock that are traded during any taxable year on all "established securities markets" in that country exceeds the number of shares in each such class that are traded during that year on "established securities markets" in any other single country. Our stock was "primarily traded" on the Nasdaq, an "established securities market" in the United States, during 2018.

Under the Treasury Regulations, our common stock will be considered to be "regularly traded" on an "established securities market" if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market; this is also known as the "Listing Requirement". Since our common shares are listed on the Nasdaq, we will satisfy the Listing Requirement.

The Treasury Regulations further require that with respect to each class of stock relied upon to meet the Listing Requirement: (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year; this is also known as the "Trading Frequency Test"; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year, or as appropriately adjusted in the case of a short taxable year; this is also known as the "Trading Volume Test." We believe that our common shares satisfied the Trading Frequency Test and the Trading Volume Test in 2018. Even if this were not the case, the Treasury Regulations provide that the Trading Frequency Test and the Trading Volume Test will be deemed satisfied by a class of stock if, as we expect to be the case with our common shares, such class of stock is traded on an "established securities market" in the United States and such class of stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide that our common shares will not be considered to be "regularly traded" on an "established securities market" for any taxable year in which 50% or more of the outstanding common shares, by vote and value, are owned, for more than half the days of the taxable year, by persons who each own 5% or more of the vote and value of the outstanding common shares; this is also known as the "5% Override Rule." The 5% Override Rule will not apply, however, if in respect of each category of shipping income for which

exemption is being claimed, we can establish that individual residents of qualified foreign countries, or "Qualified Shareholders," own sufficient common shares to preclude non-Qualified Shareholders from owning 50% or more of the total vote and value of our common shares for more than half the number of days during the taxable year; this is also known as the "5% Override Exception."

Based on our public shareholdings for 2018, we were not subject to the 5% Override Rule for 2018. Therefore, we believe that we satisfied the Publicly-Traded Requirement for 2018 and we and each of our subsidiaries are entitled to exemption from U.S. federal income tax under section 883 of the Code in respect of our U.S. source shipping income. To the extent that we become subject to the 5% Override Rule in future years (as a result of changes in the ownership of our common shares), it may be difficult for us to establish that we qualify for the 5% Override Exception.

If we were not eligible for the exemption under section 883 of the Code, our U.S. source shipping income would be subject to U.S. federal income tax as described in more detail below.

### Taxation in Absence of Exemption Under Section 883 of the Code

To the extent the benefits of section 883 of the Code are unavailable with respect to any item of U.S. source shipping income earned by us or by our subsidiaries and such U.S. source shipping income is not considered to be "effectively connected" with the conduct of a U.S. trade or business, such U.S. source shipping income would be subject to a 4% U.S. federal income tax imposed by section 887 of the Code on a gross basis, without benefit of deductions. Since under the sourcing rules described above, no more than 50% of the shipping income earned by us or our subsidiaries would be derived from U.S. sources, the maximum effective rate of U.S. federal income tax on such gross shipping income would never exceed 2%. For the calendar year 2018, we and our subsidiaries would be subject to \$nil aggregated tax under section 887 of the Code if applicable.

In addition, our U.S. source shipping income that is considered to be "effectively connected" with the conduct of a U.S. trade or business is subject to the U.S. corporate income tax currently imposed at a rate of 21% (net of applicable deductions). In addition, we may be subject to the 30% U.S. "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business.

Our U.S. source shipping income would be considered effectively connected with the conduct of a U.S. trade or business only if:

- we had, or were considered to have, a fixed place of business in the United States involved in the earning of our U.S. source shipping income; and
- substantially all of our U.S. source shipping income was attributable to regularly scheduled transportation, such as the operation of a ship that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We believe that we will not meet these conditions because we will not have, or permit circumstances that would result in having, such a fixed place of business in the United States or any ship sailing to or from the United States on a regularly scheduled basis.

### Gain on Sale of Vessels

If we and our subsidiaries qualify for exemption from tax under section 883 of the Code in respect of our U.S. source shipping income, the gain on the sale of any vessel earning such U.S. source shipping income should likewise be exempt from U.S. federal income tax. Even if we and our subsidiaries are unable to qualify for exemption from tax under section 883 of the Code and we or any of our subsidiaries, as the seller of such vessel, is considered to be engaged in the conduct of a U.S. trade or business, gain on the sale of such vessel would not be subject to U.S. federal income tax provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. To the extent circumstances permit, we intend to structure sales of our vessels in such a manner, including effecting the sale and delivery of vessels outside of the United States. If the sale is considered to occur within the United States, any gain on such sale may be subject to U.S. federal income tax as "effectively connected" income.

### U.S. Taxation of U.S. Holders

The term "U.S. Holder" means a beneficial owner of our common shares that is a U.S. citizen or resident, U.S. corporation or other U.S. entity taxable as a corporation, an estate, the income of which is subject to U.S. federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, and owns our common shares as a capital asset, generally, for investment purposes.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our common shares, you are urged to consult your tax advisor.

## Distributions

Any distributions made by us with respect to our common shares to a U.S. Holder will generally constitute dividends to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Subject to the discussion below under "Passive Foreign Investment Company", we expect that dividends paid by us to a non-corporate U.S. Holder will be eligible for preferential U.S. federal income tax rates provided that the non-corporate U.S. Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which our common shares becomes ex-dividend and certain other conditions are satisfied. However, there is no assurance that any dividends paid by us will be eligible for these preferential tax rates in the hands of a non-corporate U.S. Holder. Any dividends paid by us, which are not eligible for these preferential tax rates will be taxed as ordinary income to a non-corporate U.S. Holder. Because we are not a U.S. corporation, U.S. Holders that are corporations will generally not be entitled to claim a dividends-received deduction with respect to any distributions they receive from us. Dividends paid on our common shares will be income from sources outside the United States and will generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income" for U.S. foreign tax credit limitation purposes.

Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in its common shares, and thereafter as a taxable capital gain.

## Sale, Exchange or other Disposition of Our Common Shares

Subject to the discussion below under "Passive Foreign Investment Company," a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder's tax basis in the common shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period in such common shares is greater than one year at the time of the sale, exchange or other disposition. Otherwise, such gain or loss will be treated as short-term capital gain or loss. A U.S. Holder's ability to deduct capital losses is subject to certain limitations. A U.S. Holder's gain or loss will generally be treated (subject to certain exceptions) as gain or loss from source within the United States for U.S. foreign tax credit limitation purposes.

## Passive Foreign Investment Company

Notwithstanding the above rules regarding distributions and dispositions, special rules may apply to U.S. Holders (or, in some cases, U.S. persons who are treated as owning our common shares under constructive ownership rules) if we are treated as a "passive foreign investment company, or a PFIC for U.S. federal income tax purposes. We will be a PFIC if either:

- at least 75% of our gross income in a taxable year is "passive income"; or
- at least 50% of our assets in a taxable year (averaged over the year and generally determined based upon value) are held for the production of, or produce, "passive income."

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own 25% or more of the value of the subsidiary's stock, which includes Golar Partners. To date, our subsidiaries and we have derived most of our income from time and voyage charters, and we expect to continue to do so. This income should be treated as services income, which is not "passive income" for PFIC purposes. We believe there is substantial legal authority supporting our position consisting of case law and U.S. Internal Revenue Service, also known as the "IRS", pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental

income rather than services income for other tax purposes.

Based on the foregoing, we believe that we are not currently a PFIC and do not expect to be a PFIC in the foreseeable future. However, in the absence of any legal authority specifically relating to the Code provisions governing PFICs, the IRS or a court could disagree with our position. In addition, there can be no assurance that we will not become a PFIC if our operations change in the future.

If we become a PFIC (and regardless of whether we remain a PFIC), each U.S. Holder who owns or is treated as owning our common shares during any period in which we are so classified, would be subject to U.S. federal income tax, at the then highest applicable income tax rates on ordinary income, plus interest, upon certain "excess distributions" and upon dispositions of our common shares including, under certain circumstances, a disposition pursuant to an otherwise tax free reorganization, as if the distribution or gain had been recognized ratably over the U.S. Holder's entire holding period of our common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year during such holding period before we became a PFIC would be taxed as ordinary income. An "excess distribution" generally includes dividends or other distributions received from a PFIC in any taxable year of a U.S. Holder to the extent that the amount of those distributions exceeds 125% of the average distributions made by the PFIC during a specified base period. The tax at ordinary rates and interest resulting from an excess distribution would not be imposed if the U.S. Holder makes a "mark-to-market" election or "qualified electing fund" election, as discussed below.

If we become a PFIC and, provided that, as is currently the case, our common shares are treated as "marketable stock," a U.S. Holder may make a "mark-to-market" election with respect to our common shares. Under this election, any excess of the fair market value of the common shares at the close of any tax year over the U.S. Holder's adjusted tax basis in the common shares is included in the U.S. Holder's income as ordinary income. In addition, the excess, if any, of the U.S. Holder's adjusted tax basis at the close of any taxable year over the fair market value of the common shares is deductible in an amount equal to the lesser of the amount of the excess or the net "mark-to-market" gains that the U.S. Holder included in income in previous years. If a U.S. Holder makes a "mark-to-market" election after the beginning of its holding period of our common shares, the U.S. Holder does not avoid the PFIC rules described above with respect to the inclusion of ordinary income, and the imposition of interest thereon, attributable to periods before the election.

In some circumstances, a shareholder in a PFIC may avoid the unfavorable consequences of the PFIC rules by making a "qualified electing fund" election. However, a U.S. Holder cannot make a "qualified electing fund" election with respect to us unless such U.S. Holder complies with certain reporting requirements. We do not intend to provide the information necessary to meet such reporting requirements.

In addition to the above consequences, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be required to file IRS form 8621 with the IRS for that year with respect to such U.S. Holder's common stock.

#### U.S. Federal Income Tax Consequences to Non-U.S. Holders of Our Common Shares

A beneficial owner of our common shares (other than a partnership) that is not a U.S. Holder is referred to herein as a Non-U.S. Holder. It is assumed for purposes of this section that the Non-U.S. Holder (1) is not engaged in the conduct of a United States trade or business and (2) (a) if an individual, is not treated as a U.S. resident pursuant to the substantial presence test (generally treating a non-resident individual alien as a resident if such person is present in the United States for more than a weighted sum of 183 days during a three-year period and the nonresident alien is present for at least 31 days in the current year) and is not present in the United States for 183 days or more in the taxable year of disposition of the notes or common shares or (b) if not a natural person, has not made any election to subject itself to, or is otherwise subject to, U.S. federal income taxation on a net basis.

Subject to the discussion below regarding backup withholding, a Non-U.S. Holder will generally not be subject to U.S. federal income tax upon receipt, holding, or sale or disposition of, or receipt of dividends paid in respect of, the common shares.

#### Backup Withholding and Information Reporting



In general, dividend payments, or other taxable distributions, made within the United States will be subject to information reporting requirements. Such payments will also be subject to "backup withholding" if made to a non-corporate U.S. Holder and such U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- provides us with an incorrect taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or dividends required to be shown on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

If a shareholder sells our common shares to or through a U.S. office or broker, the payment of the proceeds is subject to both U.S. information reporting and "backup withholding" unless the shareholder establishes an exemption. If the shareholder sells our common shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to the shareholder outside the United States, then information reporting and "backup withholding" generally will not apply to that payment. However, U.S. information reporting requirements, but not "backup withholding," will apply to a payment of sales proceeds, including a payment made to a shareholder outside the United States, if the shareholder sells the common shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States.

"Backup withholding" is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under "backup withholding" rules that exceed such taxpayer's U.S. federal income tax liability by filing a refund claim with the IRS, provided that the required information is furnished to the IRS.

Individuals who are U.S. Holders (and to the extent specified in the applicable Treasury Regulations, certain individuals who are non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code and the applicable Treasury Regulations) are required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) with information relating to each such asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year. Specified foreign financial assets would include, among other assets, our common stock, unless the common stock were held through an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, the statute of limitations on the assessment and collection of U.S. federal income tax with respect to a taxable year for which the filing of IRS Form 8938 is required may not close until three years after the date on which IRS Form 8938 is filed. U.S. Holders (including U.S. entities) and non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations under Section 6038D of the Code.

#### Bermuda Taxation

Bermuda currently imposes no tax (including a tax in the nature of an income, estate, duty, inheritance, capital transfer or withholding tax) on profits, income, capital gains or appreciations derived by us, or dividends or other distributions paid by us to shareholders of our common shares. Bermuda has undertaken not to impose any such Bermuda taxes on shareholders of our common shares prior to the year 2035, except in so far as such tax applies to persons ordinarily resident in Bermuda.

The Minister of Finance in Bermuda has granted the Company a tax exempt status until March 31, 2035, under which no income taxes or other taxes (other than duty on goods imported into Bermuda and payroll tax in respect of any Bermuda-resident employees) are payable by the Company in Bermuda. If the Minister of Finance in Bermuda does not grant a new exemption or extension of the current tax exemption, and if the Bermudian Parliament passes legislation imposing taxes on exempted companies, the Company may become subject to taxation in Bermuda after March 31, 2035. Furthermore, the recent passing of the Economic Substance Act 2018 in Bermuda as well being placed on the EU list of non-cooperative jurisdictions for tax purposes, highlights the increasing scrutiny the existing regime is subject to.

#### F. Dividends and Paying Agents

Not applicable.

#### G. Statements by Experts

Not applicable.

H. Documents on Display

We will file reports and other information with the U.S. Securities and Exchange Commission, or the Commission. These materials, including this document and the accompanying exhibits, may be inspected and copied, at prescribed rates, at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

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## I. Subsidiary Information

Not applicable.

### ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including interest rate, commodity price and foreign currency exchange risks. We enter into a variety of derivative instruments and contracts to maintain the desired level of exposure arising from these risks.

Our policy is to hedge our exposure to risks, when possible, within boundaries deemed appropriate by management.

A discussion of our accounting policies for derivative financial instruments is included in note 2 “Accounting Policies” of our consolidated financial statements included herein. Further information on our exposure to market risk is included in note 27 “Financial Instruments” of our consolidated financial statements included herein.

The following analysis provides quantitative information regarding our exposure to foreign currency exchange rate risk and interest rate risk. There are certain shortcomings inherent in the sensitivity analysis presented, primarily due to the assumption that exchange rates change in a parallel fashion and that interest rates change instantaneously.

**Interest rate risk.** A significant portion of our long-term debt obligation is subject to adverse movements in interest rates. Our interest rate risk management policy permits economic hedge relationships in order to reduce the risk associated with adverse fluctuations in interest rates. We use interest rate swaps and fixed rate debt to manage the exposure to adverse movements in interest rates. Interest rate swaps are used to convert floating rate debt obligations to a fixed rate in order to achieve an overall desired position of fixed and floating rate debt. Credit exposures are monitored on a counterparty basis, with all new transactions subject to senior management approval.

As of December 31, 2018, the notional amount of interest rate swaps outstanding in respect of our debt obligation was \$1.0 billion. The principal of our floating rate loans outstanding as of December 31, 2018 was \$755.0 million. Based on our floating rate debt at December 31, 2018, a one-percentage point increase in the floating interest rate would increase our interest expense by \$6.7 million per annum. For disclosure of the fair value of the derivatives and debt obligations outstanding as of December 31, 2018, see note 27 “Financial Instruments” of our consolidated financial statements included herein.

**Foreign currency risk.** The majority of our transactions, assets and liabilities are denominated in U.S. Dollars, our functional currency. Periodically, we may be exposed to foreign currency exchange fluctuations as a result of expenses paid by certain subsidiaries in currencies other than U.S. Dollars, which includes British Pounds, or GBP, Norwegian Kroners, or NOK, and Euros, in relation to our administrative office in the UK, operating expenses and capital expenditure projects incurred in a variety of foreign currencies. Based on our GBP expenses for 2018, a 10% depreciation of the U.S. Dollar against GBP would have increased our expenses by approximately \$3.5 million.

We operate a branch in Norway, where the majority of expenses are incurred in NOK. Based on our NOK administrative expenses incurred in 2018, a 10% depreciation of the U.S. Dollar against NOK would have increased our expenses by \$2.8 million.

The base currency of the majority of our seafaring officers' remuneration was the Euro. Based on the crew costs incurred in 2018, a 10% depreciation of the U.S. Dollar against the Euro would have increased our crew cost for 2018 by approximately \$3.2 million.

Equity risk. As of December 31, 2018, we are party to a Total Return Swap, or TRS, contract indexed to 3,000,000 of our own shares, whereby we carry the risk of fluctuations in the market price of our shares. The settlement amount for the contract will be (A) the market value of the shares at the date of settlement plus the amount of dividends paid on the shares by us between entering into and settling the contract, less (B) the reference price of the shares agreed at the inception of the contract plus the counterparty's financing costs. Settlement will be either a payment from or to the counterparty, depending on whether (A) is more or less than (B). The contract has been extended to expire in June 2019. The weighted average reference price was \$45.01 per common share. As of December 31, 2018, we had also entered into a forward contract for the acquisition of 107,000 shares in Golar Partners at an average price of \$20.53. The open position of both contracts at December 31, 2018, exposes us to market risk associated with our share price and the share price of Golar Partners, and it is estimated that a 10% reduction in both share prices as at December 31, 2018, would generate an adverse mark-to-market adjustment of approximately \$6.6 million, which would be recorded in our consolidated statement of operations.

Commodity price risk. As of December 31, 2018, we have a derivative asset in relation to the LTA, representing 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 and, on December 31, 2018, the value of this asset is \$84.7 million. Movements in the price of Brent Crude will cause the derivative asset, and resulting fair value movements, to fluctuate. However, we bear no downside risk should the Brent Crude price move below \$60.00.

#### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

#### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURE

(a) Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision of our Company's Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, pursuant to Rule 13a-15(e) of the Exchange Act of 1934, as of December 31, 2018. At the time our Annual Report on Form 20-F for the year ended December 31, 2018 was filed on March 29, 2019, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

(b) Management's annual report on internal controls over financial reporting

In accordance with the requirements of Rule 13a-15 of the Securities Exchange Act of 1934, as amended, the following report is provided by management in respect of our internal control over financial reporting. As defined in the Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our published consolidated financial statements for external purposes under generally accepted accounting principles.

In connection with the preparation of our annual consolidated financial statements, management has undertaken an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring

Organizations of the Treadway Commission.

Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of those controls. Based on this assessment, management has concluded and hereby reports that as of December 31, 2018, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm has issued an attestation report on the effectiveness of the Company's internal control over financial reporting.

(c) Attestation report of the registered public accounting firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears on page F-3 of our consolidated financial statements.

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(d) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Lori Wheeler Naess, a director, qualifies as an audit committee financial expert and is independent, in accordance with SEC Rule 10a-3 pursuant to Section 10A of the Securities Exchange Act of 1934.

ITEM 16B. CODE OF ETHICS

We have adopted a Code of Ethics that applies to all the employees of the company and its subsidiaries. A copy of our Code of Ethics may be found on our website [www.golarlng.com](http://www.golarlng.com). This web address is provided as an inactive textual reference only. Information contained on our website does not constitute part of this Annual Report. We will provide any person, free of charge, a copy of our Code of Ethics upon written request to our registered office.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a) Audit Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

Fiscal year ended December 31, 2018 \$1,558,539

Fiscal year ended December 31, 2017 \$1,479,984

Total audit fees incurred with respect to Ernst & Young LLP were approximately \$1.4 million and \$1.5 million for 2018 and 2017, respectively.

(b) Audit-Related Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for assurance and related services, not included under "(a) Audit Fees", rendered by the principal accountant for the audit of the Company's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

Fiscal year ended December 31, 2018 \$106,491

Fiscal year ended December 31, 2017 \$608,312

(c) Tax Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.



Fiscal year ended December 31, 2018 \$91,913  
Fiscal year ended December 31, 2017 \$145,010

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## (d) All Other Fees

The following table sets forth, for the two most recent fiscal years, the aggregate fees billed for professional services rendered by the principal accountant for other services that are not included in the scope of the current year audit or tax services as mentioned above. This majority of the balance comprises of advisory services provided during the year.

Fiscal year ended December 31, 2018 \$30,629  
 Fiscal year ended December 31, 2017 \$223,752

## (e) Audit Committee's Pre-Approval Policies and Procedures

The Company's board of directors has adopted pre-approval policies and procedures in compliance with paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X that require our board of directors to approve the appointment of the independent auditor of the Company before such auditor is engaged and approve each of the audit and non-audit related services to be provided by such auditor under such engagement by the Company. All services provided by the principal auditor in 2018 and 2017 were approved by our board of directors pursuant to the pre-approval policy.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

## ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In November 2014, our Board of Directors approved the purchase of up to 5% of the outstanding common stock of the Company over a two year period ended November 2016. Accordingly, at the time of close of scheme, we had repurchased 0.5 million shares for an aggregate cost of \$20.5 million.

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programme	Maximum number of shares that may be purchased under the plans or programme <sup>(1)</sup>
October 2015	300,000	\$ 40.90	300,000	4,400,000
January 2016	200,000	\$ 41.07	200,000	4,200,000
As of November 30, 2016 <sup>(1)</sup>	500,000	\$ 40.97	500,000	—

(1) The Board approval lapsed in November 2016 and therefore no further shares were purchased under the scheme.

In connection with the Board approved share repurchase scheme discussed above, this was partly financed through the use of total return swap or equity swap facilities with third party banks, indexed to our own shares. We carry the risk of fluctuations in the share price of those acquired shares. The banks are compensated at their cost of funding plus a margin. As at December 31, 2018, the counterparty to the equity swap transactions had acquired 3.0 million shares in the Company at an average price of \$45.01. The effect of our Total Return Swap in our consolidated statement of operations as at December 31, 2018 is an unrealized mark-to-market loss of \$30.7 million. There is at present no obligation for us to purchase any shares from the counterparty.

## ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

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## ITEM 16G. CORPORATE GOVERNANCE

Pursuant to an exception under Nasdaq Rule 5615, or Nasdaq listing standards available to foreign private issuers, we are not required to comply with all of the corporate governance practices followed by U.S. companies under the Nasdaq's listing standards, which are available at [www.nasdaq.com](http://www.nasdaq.com). As a foreign private issuer, we are permitted to follow our home country practices in lieu of certain Nasdaq corporate governance requirements. We have certified to Nasdaq that our corporate governance practices are in compliance with, and are not prohibited by, the laws of Bermuda.

We are exempt from many of the Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with Nasdaq's corporate governance practices and the establishment and composition of an audit committee and a formal written audit committee charter. The practices we follow in lieu of Nasdaq's corporate governance requirements are as follows:

**Independence of directors.** We are exempt from certain Nasdaq requirements regarding independence of directors. Consistent with Bermuda law, our board of directors is not required to be composed of a majority of independent directors. Currently, five of the seven members of the board of directors, Daniel Rabun, Lori Wheeler Naess, Carl Steen, Niels Stolt-Nielsen and Thorleif Egeli are independent according to Nasdaq's standards for independence. Our board of directors does not hold meetings at which only independent directors are present.

**Audit Committee.** We are exempt from certain Nasdaq requirements regarding our audit committee. Consistent with Bermuda law, the directors on our audit committee are not required to comply with certain of Nasdaq's independence requirements for audit committee members, and the Company's management is responsible for the proper and timely preparation of the Company's annual reports, which are audited by independent auditors. However, the committee currently consists of three independent directors, Lori Wheeler Naess, Daniel Rabun and Carl Steen.

**Compensation Committee.** We are exempt from certain Nasdaq requirements regarding our compensation committee. Consistent with Bermuda law, our compensation committee may consist of members who are not independent directors. However, the committee is currently comprised of Carl Steen and Niels Stolt-Nielsen, who are both independent. The primary responsibility of this committee is to review, approve and make recommendations to the board regarding compensation for directors and management.

**Nomination Committee.** We are exempt from certain Nasdaq requirements regarding our nomination committee. Consistent with Bermuda law, our nomination committee may consist of members who are not independent directors. However, the committee is currently comprised of two independent directors, Carl Steen and Daniel Rabun. The primary responsibility of this committee is to select and recommend to the board, director and committee member candidates.

**Share Issuance.** In lieu of obtaining shareholder approval prior to the issuance of securities in certain circumstances, consistent with Bermuda law and our Bye-Laws, the board of directors approves share issuances.

As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq's corporate governance rules or Bermuda law. Consistent with Bermuda law, and as provided in our amended Bye-laws, we will notify our shareholders of shareholder meetings at least seven days before such meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting.

We believe that our established corporate governance practices satisfy the Nasdaq listing standards.



ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statements listed below and set forth on pages F-1 through to F-67 are filed as part of this Annual Report.

Separate consolidated financial statements and notes thereto for Golar Partners for each of the years ended December 31, 2018, 2017 and 2016 are being provided as a result of Golar Partners meeting a significance test pursuant to Rule 3-09 of Regulation S-X for the three years ended December 31, 2018 and, accordingly, the financial statements of Golar Partners for the year ended December 31, 2018 as filed in the Annual Report on Form 20-F of Golar Partners, filed with the Commission on March 29, 2019, are hereby incorporated by reference and considered to be filed as part of this Annual Report on Form 20-F.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report:

Number	Description of Exhibit
1.1**	<u>Memorandum of Association of Golar LNG Limited as adopted on May 9, 2001, incorporated by reference to Exhibit 1.1 of Golar LNG Limited's Registration Statement on Form 20-F, filed with the SEC on November 27, 2002, File No. 00050113, or the Original Registration Statement.</u>
1.2**	<u>Bye-Laws of Golar LNG Limited amended and adopted September 20, 2013, incorporated by reference to Exhibit 3.1 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on July 1, 2014.</u>
1.3**	<u>Certificate of Incorporation as adopted on May 10, 2001, incorporated by reference to Exhibit 1.3 of Golar LNG Limited's Original Registration Statement.</u>
1.4**	<u>Certificate of deposit of memorandum of increase of share capital of Golar LNG Limited registered on June 20, 2001 (increasing Golar LNG Limited's authorized capital), incorporated by reference to Exhibit 1.4 of Golar LNG Limited's Original Registration Statement.</u>
1.5**	<u>Certificate of deposit of memorandum of increase of share capital of Golar LNG Limited registered November 6, 2014, incorporated by reference to Exhibit 1.6 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2014.</u>
2.1**	<u>Form of share certificate incorporated by reference to Exhibit 2.1 of Golar LNG Limited's Annual Report on Form 20-F for the fiscal year ended December 31, 2010.</u>
2.2**	<u>Indenture, dated February 17, 2017, between Golar LNG Limited and Deutsche Bank Trust Company Americas as a Bond Trustee, incorporated by reference to Exhibit 2.2 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2016.</u>
4.1**	<u>Rules of the Bermuda Employee Share Option Scheme, incorporated by reference to Exhibit 4.6 of Golar LNG Limited's Original Registration Statement.</u>
4.2**	<u>Omnibus Agreement dated April 13, 2011, by and among Golar LNG Limited, Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited, incorporated by reference to Exhibit 4.2* of Golar LNG Partners L.P. Annual Report on Form 20-F for the fiscal year ended December 31, 2011.</u>
4.3**	<u>Amendment No. 1 to Omnibus Agreement, dated October 5, 2011 by and among Golar LNG Limited, Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited, incorporated by reference to Exhibit 4.2(a)* of Golar LNG Partners L.P. Annual Report on Form 20-F for the fiscal year ended December 31, 2011.</u>
4.4**	<u>Bermuda Tax Assurance, dated May 23, 2011, incorporated by reference to Exhibit 4.4 of Golar LNG Limited's Annual Report on Form 20-F for the fiscal year ended December 31, 2013.</u>
4.5**	<u>Engineering, Procurement and Construction Contract, dated July 21, 2015 by and between Golar Gandria N.V. and Keppel Shipyard Limited, incorporated by reference to Exhibit 4.20 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2015.</u>
4.6**	<u>Memorandum of Agreement, dated September 9, 2015, by and between Golar Hilli Corporation and Fortune Lianjiang Shipping S.A., providing for, among other things, the sale and leaseback of the Hilli, incorporated by reference to Exhibit 4.21 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2015.</u>
4.7**	<u>Bareboat charter by and between Golar Hilli Corp. and Fortune Lianjiang Shipping S.A., dated September 9, 2015, incorporated by reference to Exhibit 4.2 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on August 31, 2018.</u>
4.8**	<u>Additional Clauses to the Bareboat Charter Party dated September 9, 2015 between Golar Hilli Corp. and Fortune Lianjiang Shipping S.A., incorporated by reference to Exhibit 4.3 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on August 31, 2018.</u>

- 4.9\*\* Common Terms Agreements, by and between Golar Hilli Corp. and Fortune Lianjiang Shipping S.A., dated September 9, 2015, incorporated by reference to Exhibit 4.4 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on August 31, 2018.
- 4.10\*\* Management and Administrative Services Agreement, effective as of April 1, 2016, between Golar LNG Partners LP and Golar Management Limited, incorporated by reference to Exhibit 4.20 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2016.
- 4.11\*\* Share Purchase Agreement, dated June 17, 2016, by and between Golar LNG and Stonepeak Infrastructure Fund II Cayman (G) Ltd, incorporated by reference to Exhibit 4.21 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2016.
- 4.12\*\* Investment and Shareholders Agreement, dated July 5, 2016, by and among Golar LNG Limited, Stonepeak Infrastructure Fund II Cayman (G) Ltd and Golar Power Limited, incorporated by reference to Exhibit 4.22 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2016.



- 4.13\*\* Exchange Agreement, dated October 13, 2016, by and among Golar LNG Partners LP, Golar LNG Limited and Golar GP LLC, incorporated by reference to Exhibit 10.1 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K of Golar LNG Partners LP, filed on October 19, 2016.
- 4.14\*\* Second Amended and Restated Agreement of Limited Partnership of Golar LNG Partners LP dated October 19, 2016, incorporated by reference to Exhibit 3.2 to the Registration Statement on Form 8-A/A of Golar LNG Partners LP, filed on October 19, 2016.
- 4.15\*\* Loan Agreement, dated March 3, 2017, by and between Golar ML LLC and Citibank N.A., incorporated by reference to Exhibit 4.27 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2016.
- 4.16\*\* General Management Agreement, dated April 4, 2017, by and between Golar Management Ltd and Golar Power Limited, incorporated by reference to Exhibit 4.28 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2016.
- 4.17\*\* Purchase and Sale Agreement, dated August 15, 2017, by and among Golar LNG Limited, KS Investments Pte. Ltd., Black & Veatch International Company and Golar Partners Operating LLC, incorporated by reference to Exhibit 4.1 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on September 29, 2017.
- 4.18\*\* 2017 long-term incentive plan, incorporated by reference to Exhibit 4.6 to Golar LNG Limited's Registration statement on form S-8, filed on November 20, 2017.
- 4.19\*\* Liquefaction Tolling Agreement, dated November 29, 2017, between Societe Nationale de Hydrocarbures, Perenco Cameroon SA, Golar Hilli Corporation and Golar Cameroon SASU, incorporated by reference to Exhibit 4.29 of Golar LNG Limited Annual Report on Form 20-F for the fiscal year ended December 31, 2017.
- 4.20\*\* Amendment Agreement, dated March 23 2018, relating to the Purchase and Sale Agreement by and between Golar LNG Partners LP, Golar LNG Limited, KS Investments Pte. Ltd. and Black & Veatch International Company, incorporated by reference to Exhibit 4.1 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on July 30, 2018.
- 4.21\*\* Amended and Restated Limited Liability Company Agreement of Golar Hilli LLC, dated July 12, 2018, incorporated by reference to Exhibit 4.1 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on August 31, 2018.
- 4.22\*\* Golar LNG Partners LP Guarantee Agreement, dated as of July 12, 2018, incorporated by reference to Exhibit 4.5 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on August 31, 2018.
- 4.23\*\* Amended and Restated Loan Agreement, dated July 20, 2018, by and between Golar ML LLC and Citibank N.A., incorporated by reference to Exhibit 4.1 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on November 16, 2018.
- 4.24\*\* Guarantee by and among Golar Power Limited, Golar LNG Limited and Compass Shipping 23 Corporation Limited dated September 25, 2018, incorporated by reference to Exhibit 4.2 to Golar LNG Limited's Report of Foreign Issuer on Form 6-K filed on November 16, 2018.
- 4.25\*/+ Amended and Restated Engineering, Procurement and Construction Contract, dated December 13, 2018, by and between Golar Gimi Corporation and Keppel Shipyard Limited.
- 4.26\*/+ Lease and Operate Agreement by and between Gimi MS Corporation and BP Mauritania Investments Limited.
- 8.1\* Golar LNG Limited subsidiaries.
- 11.1\*\* Golar LNG Limited Corporate Code of Business Ethics and Conduct, incorporated by reference to Exhibit 14.1 of Golar LNG Limited's Annual Report on Form 20-F for the year ended December 31, 2003.
- 12.1\* Certification of the Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2\* Certification of the Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1\* Certification under Section 906 of the Sarbanes-Oxley act of 2002 of the Principal Executive Officer.

13.2\* Certification under Section 906 of the Sarbanes-Oxley act of 2002 of the Principal Financial Officer.

15.1\* Consent of Independent Registered Public Accounting Firm - Ernst & Young LLP.

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\* Filed herewith.

\*\* Incorporated by reference.

+ Certain portions have been omitted pursuant to a pending confidential treatment request. Omitted information has been separately filed with the Securities and Exchange Commission.

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- 101. INS\* XBRL Instance Document
- 101. SCH\* XBRL Taxonomy Extension Schema
- 101. CAL\* XBRL Taxonomy Extension Schema Calculation Linkbase
- 101. DEF\* XBRL Taxonomy Extension Schema Definition Linkbase
- 101. LAB\* XBRL Taxonomy Extension Schema Label Linkbase
- 101. PRE\* XBRL Taxonomy Extension Schema Presentation Linkbase

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Golar LNG Limited  
(Registrant)

Date March 29, 2019 By /s/ Graham Robjohns  
Graham Robjohns  
Chief Financial Officer and Deputy Chief Executive Officer

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GOLAR LNG LIMITED  
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Golar LNG Limited

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Golar LNG Limited (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive loss, cash flows and changes in equity for each of the three years in the period ended December 31, 2018 and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 29, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2014.

London, United Kingdom

March 29, 2019

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Shareholders and Board of Directors of Golar LNG Limited

### Opinion on Internal Control over Financial Reporting

We have audited Golar LNG Limited's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Golar LNG Limited (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated March 29, 2019 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
London, United Kingdom  
March 29, 2019

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## GOLAR LNG LIMITED

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(in thousands of \$, except per share amounts)	Notes	2018	2017	2016
Time and voyage charter revenues		204,839	88,634	52,302
Time charter revenues - collaborative arrangement		73,931	28,327	13,730
Liquefaction services revenue		127,625	—	—
Vessel and other management fees		24,209	26,576	14,225
Total operating revenues	7, 28	430,604	143,537	80,257
Vessel operating expenses		96,860	55,946	53,163
Voyage, charterhire and commission expenses	28	22,625	22,511	36,423
Voyage, charterhire and commission expenses - collaborative arrangement	28	83,201	38,781	11,140
Administrative expenses	2	51,542	38,031	37,302
Project development expenses	2	21,690	12,303	8,658
Depreciation and amortization	18	93,689	76,522	72,972
Impairment of non-current assets	9	—	—	1,706
Total operating expenses		369,607	244,094	221,364
Other operating income				
Other operating income	28, 30	36,722	—	—
Realized and unrealized gain on oil derivative instrument	2	16,767	15,100	—
Other operating gains - LNG trading		—	—	16
Operating income (loss)		114,486	(85,457)	(141,091)
Other non-operating expense				
Net loss on loss of control of Golar Power	6	—	—	(8,483 )
Other non-operating expense		—	(81 )	(132 )
Total other non-operating expense		—	(81 )	(8,615 )
Financial income (expense)				
Interest income	28	10,133	5,890	2,969
Interest expense	28	(101,908)	(59,305)	(71,201)
(Losses) gains on derivative instruments	10	(30,541)	20,696	16,491
Other financial items, net	10	(1,481 )	(69 )	(7,800 )
Net financial expense		(123,797)	(32,788)	(59,541)
Loss before equity in net (losses) earnings of affiliates, income taxes and non-controlling interests		(9,311 )	(118,326)	(209,247)
Income taxes	11	(1,267 )	(1,505 )	589
Equity in net (losses) earnings of affiliates	16	(157,636)	(25,448)	47,878
Net loss		(168,214)	(145,279)	(160,780)
Net income attributable to non-controlling interests		(63,214)	(34,424)	(25,751)
Net loss attributable to stockholders of Golar LNG Limited		(231,428)	(179,703)	(186,531)
Loss per share attributable to Golar LNG Ltd stockholders				
Per common share amounts:				
Loss per share – basic and diluted	12	\$ (2.30 )	\$ (1.79 )	\$ (1.99 )
Cash dividends paid		\$ 0.28	\$ 0.20	\$ 0.60

The accompanying notes are an integral part of these consolidated financial statements.

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## GOLAR LNG LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31,  
2018, 2017 AND 2016

(in thousands of \$)

	Notes	2018	2017	2016
<b>COMPREHENSIVE LOSS</b>				
Net loss		(168,214)	(145,279)	(160,780)
Other comprehensive income (loss):				
Gain (loss) associated with pensions, net of tax	24, 26	3,581	157	(556 )
Share of affiliates comprehensive (loss) income	26	(24,324 )	1,616	3,606
		(20,743 )	1,773	3,050
Comprehensive loss		(188,957)	(143,506)	(157,730)
Comprehensive loss attributable to:				
Stockholders of Golar LNG Limited		(252,171)	(177,930)	(183,481)
Non-controlling interests		63,214	34,424	25,751
Comprehensive loss		(188,957)	(143,506)	(157,730)

(1) No tax impact for the years ended December 31, 2018, 2017 and 2016.

The accompanying notes are an integral part of these consolidated financial statements.

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GOLAR LNG LIMITED  
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017  
(in thousands of \$, except share amounts)

	Notes	2018	2017
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		217,835	214,862
Restricted cash and short-term deposits	14	332,033	222,265
Trade accounts receivable*		64,918	14,980
Amounts due from related parties	28	9,425	7,898
Inventories		7,006	7,408
Other current assets	15	18,720	6,047
Total current assets		649,937	473,460
Non-current assets			
Restricted cash	14	154,393	175,550
Investments in affiliates	16	571,782	703,225
Asset under development	17	20,000	1,177,489
Vessels and equipment, net	18	3,271,379	2,077,059
Other non-current assets	19	139,104	157,504
Total assets		4,806,595	4,764,287
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Current portion of long-term debt and short-term debt	20	730,257	1,384,933
Trade accounts payable*		9,701	70,430
Accrued expenses*	21	133,234	105,895
Amounts due to related parties	28	5,417	8,734
Other current liabilities	22	121,529	62,282
Total current liabilities		1,000,138	1,632,274
Non-current liabilities			
Long-term debt	20	1,835,102	1,025,914
Amounts due to related parties	28	—	177,247
Other non-current liabilities	23	145,564	132,548
Total liabilities		2,980,804	2,967,983
Commitments and contingencies	29, 30		
<b>EQUITY</b>			
Share capital 101,302,404 common shares of \$1.00 each issued and outstanding (2017: 101,118,289)	25	101,303	101,119
Treasury shares		(20,483 )	(20,483 )
Additional paid-in capital		1,857,196	1,538,191
Contributed surplus		200,000	200,000
Accumulated other comprehensive loss		(28,512 )	(7,769 )
Retained losses		(364,379 )	(95,742 )
Total stockholders' equity		1,745,125	1,715,316
Non-controlling interests	5	80,666	80,988
Total equity		1,825,791	1,796,304
Total liabilities and equity		4,806,595	4,764,287

\* This includes amounts arising from transactions with related parties (see note 28).

The accompanying notes are an integral part of these consolidated financial statements.

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## GOLAR LNG LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017  
AND 2016

(in thousands of \$)

	Notes	2018	2017	2016
Operating activities				
Net loss		(168,214 )	(145,279 )	(160,780 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	18	93,689	76,522	72,972
Amortization of deferred charges and debt guarantees		7,734	(900 )	13,732
Equity in net losses (earnings) of affiliates		157,636	25,448	(47,878 )
Net loss on loss of control of Golar Power	6	—	—	8,483
Dividends received		15,837	27,553	26,515
Compensation cost related to stock options		11,481	8,991	5,816
Net foreign exchange losses		1,997	1,620	1,429
Change in fair value of derivative instruments	2	38,610	(24,498 )	(26,644 )
Change in fair value of oil derivative instrument	2	9,970	(15,100 )	—
Amortization of deferred tax benefits on intra-group transfers		—	—	(1,715 )
Impairment of non-current assets	9	—	—	1,706
Impairment of loan receivable		—	—	7,627
Change in assets and liabilities:				
Trade accounts receivable		(49,938 )	(11,413 )	(567 )
Inventories		402	(151 )	987
Other current and non-current assets	2	(13,532 )	(80,897 )	14,615
Amounts due to related companies		(16,540 )	(27,130 )	(9,444 )
Trade accounts payable		(24,813 )	1,593	(28,511 )
Accrued expenses		12,191	28,666	(3,410 )
Other current and non-current liabilities <sup>(1)</sup>	2	40,164	99,886	9,680
Net cash provided by (used in) operating activities		116,674	(35,089 )	(115,387 )
Investing activities				
Additions to vessels and equipment		(33,111 )	(1,349 )	(14,477 )
Additions to newbuildings		—	—	(19,220 )
Additions to asset under development		(116,715 )	(390,552 )	(200,821 )
Additions to investments in affiliates		(95,503 )	(123,107 )	(10,200 )
Dividends received		33,185	25,113	29,002
Short-term loan granted		—	—	(1,000 )
Proceeds from disposals to Golar Partners, net of cash disposed	6	9,652	70,000	107,247
Proceeds from loss of control of Golar Power, net of cash disposed	6	—	—	113,321
Net cash (used in) provided by investing activities		(202,492 )	(419,895 )	3,852
Financing activities				
Proceeds from short-term and long-term debt (including related parties)		1,177,748	928,432	405,817
Payment for capped call in connection with bond issuance		—	(31,194 )	—
Repayments of short-term and long-term debt (including related parties)		(994,874 )	(446,626 )	(271,858 )
Financing costs paid		(1,817 )	(1,564 )	(8,372 )
Cash dividends paid		(42,873 )	(20,438 )	(54,348 )
Proceeds from exercise of share options		2,686	(1,167 )	1,435
Purchase of treasury shares		—	—	(8,214 )





Proceeds from issuance of equity	—	—	169,876
Acquisition of non-controlling interests	36,532	—	—
Net cash provided by financing activities	177,402	427,443	234,336
Net increase (decrease) in cash, cash equivalents and restricted cash	91,584	(27,541)	122,801
Cash, cash equivalents and restricted cash at beginning of period	612,677	640,218	517,417
Cash, cash equivalents and restricted cash at end of period	704,261	612,677	640,218

Supplemental disclosure of cash flow information:

Cash paid during the year for:

Interest paid, net of capitalized interest	29,832	34,479	24,828
Income taxes paid	1,469	1,240	555

(1) Includes accretion of discount on convertible bonds of \$13.5 million, \$11.8 million and \$5.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Supplemental note to the consolidated statements of cash flows

The following table identifies the balance sheet line-items included in cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows:

(in thousands of \$)	2018	2017	2016	2015
Cash and cash equivalents	217,835	214,862	224,190	105,235
Restricted cash and short-term deposits (current portion)	332,033	222,265	183,693	231,821
Restricted cash (non-current portion)	154,393	175,550	232,335	180,361
	704,261	612,677	640,218	517,417

## GOLAR LNG LIMITED

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(in thousands of \$)

	Notes	Share Capital	Treasury Shares	Additional Paid-in Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings (Losses)	Non-controlling Interests	Total Equity
Balance at December 31, 2015		93,547	(12,269)	1,317,806	200,000	(12,592 )	308,874	20,813	1,916,179
Net loss		—	—	—	—	—	(186,531)	25,751	(160,780 )
Dividends		—	—	—	—	—	(18,693 )	—	(18,693 )
Exercise of share options		59	—	1,376	—	—	—	—	1,435
Employee stock compensation		—	—	7,865	—	—	—	—	7,865
Forfeiture of share options		—	—	(892 )	—	—	—	—	(892 )
Net proceeds from issuance of shares	25	7,475	—	162,401	—	—	—	—	169,876
Other comprehensive income	26	—	—	—	—	3,050	—	—	3,050
Treasury shares	25	—	(8,214 )	—	—	—	—	—	(8,214 )
Balance at December 31, 2016		101,081	(20,483)	1,488,556	200,000	(9,542 )	103,650	46,564	1,909,826
Net loss		—	—	—	—	—	(179,703)	34,424	(145,279 )
Dividends		—	—	—	—	—	(19,689 )	—	(19,689 )
Exercise of share options		38	—	(1,204 )	—	—	—	—	(1,166 )
Employee stock compensation		—	—	11,098	—	—	—	—	11,098
Forfeiture of share options		—	—	(120 )	—	—	—	—	(120 )
Other comprehensive income	26	—	—	—	—	1,773	—	—	1,773
Issuance of convertible bonds	20	—	—	39,861	—	—	—	—	39,861
Balance at December 31, 2017		101,119	(20,483)	1,538,191	200,000	(7,769 )	(95,742 )	80,988	1,796,304
Net loss		—	—	—	—	—	(231,428)	63,214	(168,214 )
Dividends		—	—	—	—	—	(37,076 )	(20,882 )	(57,958 )
Exercise of share options		184	—	2,502	—	—	—	—	2,686
		—	—	14,125	—	—	(133 )	—	13,992

Employee stock compensation									
Forfeiture of share options		—	—	(2,090 )	—	—	—	—	(2,090 )
Effect of consolidating Hilli Lessor VIE	5	—	—	—	—	—	—	28,703	28,703
Sale of equity interest in common units	6	—	—	304,468	—	—	—	(126,491 )	177,977
Conversion of debt to equity (see note 20)	20	—	—	—	—	—	—	55,134	55,134
Other comprehensive income	26	—	—	—	—	(20,743 )	—	—	(20,743 )
Balance at December 31, 2018		101,303	(20,483)	1,857,196	200,000	(28,512 )	(364,379)	80,666	1,825,791

The accompanying notes are an integral part of these consolidated financial statements.

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GOLAR LNG LIMITED  
NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Golar LNG Limited (the "Company" or "Golar") was incorporated in Hamilton, Bermuda on May 10, 2001 for the purpose of acquiring the liquefied natural gas ("LNG") shipping interests of Osprey Maritime Limited, which was owned by World Shipholding Limited.

As of December 31, 2018, our fleet comprises of 12 LNG carriers, one Floating Storage Regasification Unit ("FSRU") and one Floating Liquefaction Natural Gas vessel ("FLNG"). We also operate, under management agreements, Golar LNG Partners LP's ("Golar Partners" or the "Partnership") fleet of 10 vessels and Golar Power Limited's ("Golar Power") fleet of three vessels. Collectively with Golar Partners and Golar Power, our combined fleet is comprised of 18 LNG carriers, eight FSRUs and one FLNG.

We are listed on the Nasdaq under the symbol: GLNG.

As used herein and unless otherwise required by the context, the terms "Golar", the "Company", "we", "our" and words of similar import refer to Golar or anyone or more of its consolidated subsidiaries, or to all such entities.

Going Concern

The financial statements have been prepared on a going concern basis.

A pre-condition of the Golar Tundra lease financing with CMBL (refer to note 5 "Variable Interest Entities" of our consolidated financial statements included herein) is for the FSRU to be employed under an effective charter. Under the terms of our sale and lease back facility for the Golar Tundra, by virtue of our prior termination of the WAGL charter, we are required to find a replacement charter by June 30, 2019 or we could be required to refinance the FSRU. Accordingly, to address our anticipated working capital requirements over the next 12 months, in the event we are unable to secure a charter for the Golar Tundra, 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 obtain the necessary funds from these refinancings, we cannot be certain that the proposed new credit facilities will be executed in time or at all. However, we have a track record of successfully financing and refinancing our vessels, even in the absence of term charter coverage. In addition to vessel refinancings, if market and economic conditions are favorable, we may also consider further issuances of corporate debt or equity to increase liquidity.

To address our anticipated working capital requirements over the next 12 months, we remain in ongoing negotiations with financial institutions for funding the investments for our conversion projects including potential investments into our joint venture, and repayment of long-term debt balances. Sources of funding for our medium and long-term liquidity requirements include new loans, refinancing of existing financing arrangements, public and private debt or equity offerings, and potential sales of our interests in our vessel owning subsidiaries operating under long-term charters.

In February 2019, Golar entered into an agreement with BP for the charter of a FLNG unit, Gimi, for a 20-year period expected to commence in the second half of 2022. LNG carrier Gimi has been relocated from layup to Keppel Shipyard where a site team has been assembled. Golar also entered into a Shareholders Agreement with Keppel Capital in respect of their participation in a 30% share of the project. Total conversion works, which incorporate lessons learned from FLNG Hilli Episeyo including some improvements and modifications, are expected to cost approximately \$1.3 billion. We anticipate annual contracted revenues less forecasted operating costs of approximately \$215 million per year. Golar is in the final stages of receiving an underwritten credit commitment for a \$700 million

long-term financing facility with a syndicate of international banks that will also be available during construction.

Accordingly, we believe that, based on our plans as outlined above, we will have sufficient facilities to meet our anticipated liquidity requirements for our business for at least the next 12 months as of March 29, 2019 and that our working capital is sufficient for our present requirements. While we cannot be certain of execution or timing of all or any of the above financings, we are confident of our ability to do so. We have performed stress testing of our forecast cash reserves under various theoretical scenarios, which include assumptions such as extremely prudent revenue contributions from our fleet, full operating costs and maintaining our dividend payments based on our most recent pay out, and accordingly are confident of our ability to manage through the near term cash requirements.

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## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements, unless otherwise noted.

### Principles of consolidation

A variable interest entity ("VIE") is defined by the accounting standard as a legal entity where either (a) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. A party that is a variable interest holder is required to consolidate a VIE if the holder has both (a) the power to direct the activities that most significantly impact the entity's economic performance and (b) the obligation to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The accompanying consolidated financial statements include the financial statements of the entities listed in notes 4 and 5.

Investments in entities in which we directly or indirectly hold more than 50% of the voting control are consolidated in the financial statements, as well as certain variable interest entities in which the Company is deemed to be subject to a majority of the risk of loss from the VIE's activities or entitled to receive a majority of the entity's residual returns, or both. All inter-company balances and transactions are eliminated. The non-controlling interests of the above-mentioned subsidiaries were included in the consolidated balance sheets and statements of income as "Non-controlling interests".

Changes in our ownership interest while we retain a controlling financial interest in a subsidiary are accounted for as equity transactions. The carrying amount of the non-controlling interest is adjusted to reflect our changed ownership interest, with any difference between the fair value of consideration and the amount of the adjusted non-controlling interest being recognized in equity.

We recognize a gain or loss when a subsidiary issues its stock to third parties at a price per share in excess or below its carrying value resulting in a reduction in our ownership interest in the subsidiary. The gain or loss is recorded in the line "Additional paid-in capital".

When a consolidated subsidiary issues preferred stock, they are classified as equity. Preferred stock issued by a consolidated subsidiary to non-controlling interests are recorded as non-controlling interests for the amount of the proceeds received upon issuance.

### Foreign currencies

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Our functional currency is the U.S. dollar as the majority of the revenues are received in U.S. dollars and a majority of our expenditures are incurred in U.S. dollars. Our reporting currency is U.S. dollars. Transactions in foreign currencies during the year are translated into U.S. dollars at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities are translated using exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated using historical exchange rates. Foreign currency transaction and translation gains or losses are included in the consolidated balance sheets and consolidated statements of income.

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## Use of estimates

The preparation of financial statements in accordance with US GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As of December 31, 2018, we leased eight vessels from wholly-owned special purpose vehicles ("Lessor SPVs") of financial institutions in connection with our sale and leaseback transactions. While we do not hold any equity investments in these Lessor SPVs, we have determined that we are the primary beneficiary of these entities and, accordingly, we are required to consolidate these VIEs into our financial results. The key line items impacted by our consolidation of these VIEs are short-term and long-term debt, restricted cash and short-term deposits, non-controlling interests, interest income and interest expense. In consolidating these lessor VIEs, on a quarterly basis, we must make assumptions regarding (i) the debt amortization profile; (ii) the interest rate to be applied against the VIEs' debt principal; and (iii) the VIE's application of cash receipts. Our estimates are therefore dependent upon the timeliness of receipt and accuracy of financial information provided by these lessor VIE entities. Upon receipt of the audited annual financial statements of the lessor VIEs, we will make a true-up adjustment for any material differences.

In assessing the recoverability of our vessels' carrying amounts, we make assumptions regarding estimated future cash flows, estimates in respect of residual or scrap value, charter rates, ship operating expenses, utilization and drydocking requirements.

In relation to the oil derivative instrument (see note 27), the fair value was determined using the estimated discounted cash flows of the additional payments due to us as a result of oil prices moving above a contractual oil price floor over the term of the liquefaction tolling agreement ("LTA"). Significant inputs used in the valuation of the oil derivative instrument include management's estimate of an appropriate discount rate and the length of time to blend the long-term and the short-term oil prices obtained from quoted prices in active markets. The changes in fair value of our oil derivative instrument is recognized in each period in current earnings in "Realized and unrealized gain on oil derivative instrument".

The realized and unrealized gain on oil derivative instrument is as follows:

(in thousands of \$)	Year Ended	
	2018	2017
Realized gain on oil derivative instrument	26,737	—
Unrealized (loss) gain on oil derivative instrument	(9,970)	15,100
	16,767	15,100

The unrealized gain results from movement in oil prices above a contractual floor price over term of the LTA; the realized gain results from monthly billings above the base tolling fee under the LTA.

## Fair value measurements

We account for fair value measurement in accordance with the accounting standards guidance using fair value to measure assets and liabilities. The guidance provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

## Revenue and related expense recognition



Time charter agreements

Revenues include minimum lease payments under time charters, fees for positioning and repositioning vessels, and gross pool revenues. Revenues generated from time charters, which we generally classify as operating leases, are recorded over the term of the charter as service is provided. However, we do not recognize revenue if a charter has not been contractually committed to by a customer and ourselves, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. Initial direct costs (those directly related to the negotiation and consummation of the lease) are deferred and allocated to earnings over the lease term. Rental income and expense are amortized over the lease term on a straight-line basis.

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Repositioning fees (included in time and voyage charter revenues) received in respect of time charters are recognized at the end of the charter when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the charter, which is not dependent upon redelivery location, the fee will be recognized evenly over the term of the charter.

Under time charters, voyage expenses are generally paid by our customers. Voyage related expenses, principally fuel, may also be incurred when positioning or repositioning the vessel before or after the period of time charter and during periods when the vessel is not under charter or is offhire, for example when the vessel is undergoing repairs. These expenses are recognized as incurred.

Vessel operating expenses, which are recognized when incurred, include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and third party management fees. Bunkers consumption represents mainly bunkers consumed during unemployment and off-hire.

#### Liquefaction services revenue

Liquefaction services revenue is generated from a LTA entered into with our customer. Our provision of liquefaction services capacity includes the receipt of the customer's gas, treatment and temporary storage on board our FLNG, and delivery of LNG to waiting carriers.

The liquefaction services capacity provided to our customer is considered a single performance obligation recognized evenly over time as our services are rendered. We consider our services a series of distinct services that are substantially the same and have the same pattern of transfer to our customer.

Contractual payment terms for liquefaction services is monthly in arrears, after services have been provided, generally resulting in the recognition of contract assets. Contract assets are regularly assessed for impairment. Contract liabilities arise when the customer makes payments in advance of receiving services. The term between when invoicing and when payment is due is not significant.

We recognize revenue when obligations under the terms of our contract are satisfied. We have applied the practical expedient to recognize liquefaction services revenue in proportion to the amount we have the right to invoice.

#### Management fees

Management fees are generated from commercial and technical vessel-related services and corporate and administrative services. Commercial and technical vessel-related services include vessel maintenance, providing vessel crew, making arrangements for vessel insurance, bunkering, provisions and stores, invoicing and collecting vessel hire. Corporate and administrative services include corporate services, group accounting, treasury, legal, tax, consultancy and other administrative services.

These services are provided to our customers Golar Partners and Golar Power. Our contracts generally have an initial contract term of one year or less, after which the arrangement continues with a short notice period to end the contract, ranging from 30 days to 180 days. Our management services provided are considered a single performance obligation recognized evenly over time as our services are rendered. We consider our services a series of distinct services that are substantially the same and have the same pattern of transfer to the customer.

Contractual payment terms for management fees generally allow for billing and payment in advance of services being provided. However, contract liabilities did not arise because there was no billing in recognition for services rendered in future periods at the reporting date. Contract assets arise when we render management services in advance of

receiving payment from our customers. Contract assets are regularly assessed for impairment.

The transaction price is generally considered variable consideration given the key driver of consideration is actual costs incurred in a given period, which varies each period according to activity levels. The entire amount of the transaction price is allocated to the single performance obligation identified.

We recognize revenue when obligations under the terms of our contracts with our customers are satisfied. We have applied the practical expedient to recognize management fee revenue in proportion to the amount we have the right to invoice.

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## Cool Pool

Pool revenues and expenses under the Cool Pool arrangement have been accounted for in accordance with the guidance for collaborative arrangements.

In relation to our vessels participating within the pool, voyage expenses and commissions from collaborative arrangements include an allocation of our net results from the pool to the other participants. Each participants' share of the net pool revenues is based on the number of pool points attributable to its vessels and the number of days such vessels participated in the pool.

We have presented our share of the net income earned under the Cool Pool arrangement across a number of line items in the income statement. For net revenues and expenses incurred relating specifically to Golar's vessels, and for which we are deemed the principal, these will be presented gross on the face of the income statement in the line items "Time and voyage charter revenues" and "Voyage, charterhire and commission expenses". For pool net revenues generated by the other participants in the pooling arrangement, these will be presented separately in revenue and expenses from collaborative arrangements. Refer to note 28 for an analysis of the income statement effect for the pooling arrangement.

## Project development expenses

With effect from the year ended December 31, 2018, we presented a new line item in operating expenses on the face of the statements of income. The new line item, "Project development expenses", includes the costs associated with pursuing future contracts and developing our pipeline of activities that have not met our internal threshold for capitalization. Previously, these costs were presented within "Administrative expenses" along with our general overhead costs. We believe that the introduction of this new line item in the statements of income provides users of our financial statements greater transparency over a key element of our business. This presentation change has been retrospectively restated in prior periods. The change in presentation for the years ended December 31, 2017 and 2016 are as follows:

(in thousands of \$)	As previously reported	Adjustments (decrease) increase	As adjusted
December 31, 2016			
Administrative expenses	45,960	(8,658	) 37,302
Project development expenses	—	8,658	8,658
December 31, 2017			
Administrative expenses	50,334	(12,303	) 38,031
Project development expenses	—	12,303	12,303

## Cash and cash equivalents

We consider all demand and time deposits and highly liquid investments with original maturities of three months or less to be equivalent to cash.

## Restricted cash and short-term deposits

Restricted cash consists of bank deposits which may only be used to settle certain pre-arranged loans, bid bonds in respect of tenders for projects we have entered into, cash collateral required for certain swaps, and other claims which

require us to restrict cash.

Short-term deposits represent 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.

#### Trade accounts receivables

Trade receivables are presented net of allowances for doubtful balances. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

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## Inventories

Inventories, which are comprised principally of fuel, lubricating oils and vessel spares, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

## Investments in affiliates

Affiliates are entities over which we generally have between 20% and 50% of the voting rights, or over which we have significant influence, but over which we do not exercise control or have the power to control the financial and operational policies. Investments in these entities are accounted for by the equity method of accounting. This also extends to entities in which we hold a majority ownership interest, but we do not control, due to the participating rights of non-controlling interests. Under this method, we record our investment in the affiliate at cost (or fair value if a consequence of deconsolidation), and adjust the carrying amount for our share of the earnings or losses of the affiliate subsequent to the date of the investment and report the recognized earnings or losses in income. Dividends received from an affiliate reduce the carrying amount of the investment. The excess, if any, of the purchase price over book value of our investments in equity method affiliates, or basis difference, is included in the consolidated balance sheets as "Investments in affiliates". We allocate the basis difference across the assets and liabilities of the affiliate, with the residual assigned to goodwill. Any negative goodwill is recognized immediately in the income statement as a gain on bargain purchase. The basis difference will then be amortized through the consolidated statements of income as part of the equity method of accounting. When our share of losses in an affiliate equals or exceeds its interest, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the affiliate.

We recognize gains and losses in earnings for the issuance of shares by our affiliates, provided that the issuance of such shares qualifies as a sale of such shares.

## Cost method investments

Cost method investments are initially recorded at cost and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Dividends received from cost method investments are recorded in the consolidated statements of income in the line item "Dividend income".

## Vessels and equipment

Vessels and equipment are stated at cost less accumulated depreciation. The cost of vessels and equipment, less the estimated residual value, is depreciated on a straight-line basis over the assets' remaining useful economic lives. Management estimates the residual values of our vessels based on a scrap value cost of steel and aluminum times the weight of the ship noted in lightweight ton. Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons.

The cost of building mooring equipment is capitalized and depreciated over the initial lease term of the related agreement.

Refurbishment costs incurred during the period are capitalized as part of vessels and equipment and depreciated over the vessels' remaining useful economic lives. Refurbishment costs are costs that appreciably increase the capacity, or improve the efficiency or safety of vessels and equipment.

Drydocking expenditures are capitalized when incurred and amortized over the period until the next anticipated drydocking, which is generally five years. For vessels that are newly built or acquired, we have adopted the "built-in overhaul" method of accounting. The built-in overhaul method is based on the segregation of vessel costs into those that should be depreciated over the useful life of the vessel and those that require drydocking at periodic intervals to

reflect the different useful lives of the components of the assets. The estimated cost of the drydocking component is amortized until the date of the first drydocking following acquisition, upon which the cost is capitalized and the process is repeated. When a vessel is disposed, any unamortized drydocking expenditure is charged against income in the period of disposal.

Vessel reactivation costs incurred on vessels leaving lay-up include both costs of a capital and expense nature. The capital costs include the addition of new equipment or modifications to the vessel which enhance or increase the operational efficiency and functionality of the vessel. These expenditures are capitalized and depreciated over the remaining useful life of the vessel. Expenditures of a routine repairs and maintenance nature that do not improve the operating efficiency or extend the useful lives of the vessels are expensed as incurred as mobilization costs.

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Useful lives applied in depreciation are as follows:

Vessels (excluding converted FSRUs and FLNG)	40 years
Vessels - converted FSRUs	20 years from conversion date
Vessels - FLNG	30 years from conversion date
Drydocking expenditure	5 years
Deferred drydocking expenditure - FLNG	20 years
Mooring equipment - FLNG	8 years
Office equipment and fittings	3 to 6 years

#### Asset under development

An asset is classified as asset under development when there is a firm commitment from us to proceed with the construction of the asset and the likelihood of conversion is virtually certain to occur. An asset under development is classified as non-current and is stated at cost. All costs incurred during the construction of the asset, including conversion installment payments, interest, supervision and technical costs are capitalized. Interest costs directly attributable to construction of the asset is added to the cost of the asset. Capitalization ceases, and depreciation commences, once the asset is completed and available for its intended use.

#### Interest costs capitalized

Interest is capitalized on all qualifying assets that require a period of time to get them ready for their intended use. Qualifying assets consist of vessels under construction, assets under development and vessels undergoing conversion into FSRUs or FLNGs for our own use. In addition, certain equity method investments may be considered qualifying assets prior to commencement of their planned principal operation. The interest capitalized is calculated using the rate of interest on the loan to fund the expenditure or our weighted average cost of borrowings, where appropriate, from commencement of the asset development until substantially all the activities necessary to prepare the assets for its intended use are complete.

If our financing plans associate a specific borrowing with a qualifying asset, we use the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset provided that does not exceed the amount of that borrowing. We do not capitalize amounts beyond the actual interest expense incurred in the period.

#### Asset retirement obligation

An asset retirement obligation, or ARO, is a liability associated with the eventual retirement of a fixed asset.

The fair value of an ARO is recorded as a liability in the period when the obligation arises. The fair value of the ARO is measured using expected future discounted cash outflows. When the liability is recognized, we also capitalize the related ARO cost by adding it to the carrying amount of the related fixed asset. Each period, the liability is increased for the change in its present value. Changes in the amount or timing of the estimated ARO are recorded as an adjustment to the related liability and asset.

#### Held-for-sale assets and disposal group



Individual assets or subsidiaries to be disposed of, by sale or otherwise in a single transaction, are classified as held-for-sale if all of the following criteria are met at the period end:

- Management, having the authority to approve the action, commits to a plan to sell the assets or subsidiaries;
- The asset or subsidiaries are available for immediate sale in its present condition subject only to terms that are usual and customary for such sales;
- An active program to locate a buyer and other actions required to complete the plan to sell have been initiated;
- The sale is probable; and
- The transfer is expected to qualify for recognition as a completed sale, within one year.

The term probable refers to a future sale that is likely to occur, the asset or subsidiaries (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A disposal group is classified as discontinued operations if the following criteria are met: (1) a component of an entity or group of components that has been disposed of by sale, disposed of other than by sale or is classified as held-for-sale that represents a strategic shift that has or will have a major effect on our financial results or (2) an acquired business or non-profit activity (the entity to be sold) that is classified as held-for-sale on the date of the acquisition.

Assets or subsidiaries held-for-sale are carried at the lower of their carrying amount and fair value less costs to sell. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale shall continue to be accrued. On classification as held-for-sale, the assets are no longer depreciated.

If, at any time, the criteria for held-for-sale is no longer met, then the asset or disposal group will be reclassified to held and used. The asset or disposal group will be valued at the lower of the carrying amount before the asset or disposal group was classified as held-for-sale (as adjusted for any subsequent depreciation and amortization), and its fair value. Any adjustment to the value is shown in consolidated statements of income for the period in which the criterion for held-for-sale was not met.

#### Impairment of long-lived assets

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. In assessing the recoverability of our vessels' carrying amounts, we make assumptions regarding estimated future cash flows and estimates in respect of residual or scrap value. When such events or changes in circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the lower of the fair market value of the assets, less cost to sell, and the net present value ("NPV") of estimated future undiscounted cash flows from the employment of the asset ("value-in-use").

#### Other-than-temporary impairment of investments

Where there are indicators that fair value is below carrying value of our investments, we will evaluate these for other-than-temporary impairment. Consideration will be given to (1) the length of time and the extent to which fair value is below carrying value, (2) the financial condition and near-term prospects of the investee, and (3) our intent and ability to hold the investment until any anticipated recovery. Where determined to be other-than-temporary impairment, we will recognize an impairment loss in the period in the line item "Equity in net (losses) earnings of affiliates" the consolidated statements of income.

#### Deferred charges

Costs associated with long-term financing, including debt arrangement fees, are deferred and amortized over the term of the relevant loan under the effective interest method. Amortization of debt issuance costs is included in interest expense. These costs are presented as a deduction from the corresponding liability, consistent with debt discounts.

#### Derivatives

We use derivatives to reduce market risks associated with our operations. We use interest rate swaps for the management of interest rate risk exposure. The interest rate swaps effectively convert a portion of our debt from a floating to a fixed rate over the life of the transactions without an exchange of underlying principal.

We seek to reduce our exposure to fluctuations in foreign exchange rates through the use of foreign currency forward contracts.

From time to time, we enter into equity swaps. Under these facilities, we swap with our counterparty (usually a major bank) the risk of fluctuations in our share price and the benefit of any dividends, for a fixed payment of LIBOR plus margin. The counterparty may acquire shares in the Company to hedge its own position.

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All derivative instruments are initially recorded at fair value as either assets or liabilities in the accompanying consolidated balance sheets and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative. Where the fair value of a derivative instrument is a net liability, the derivative instrument is classified in "Other current liabilities" and "Other non-current liabilities", as appropriate, in the consolidated balance sheets. Where the fair value of a derivative instrument is a net asset, the derivative instrument is classified in "Other current assets" and "Other non-current assets", as appropriate, in the consolidated balance sheets. The changes in fair value of derivative financial instruments (excluding the oil derivative instrument) are recognized each period in current earnings in "(Losses) gains on derivative instruments" in the consolidated statements of income. We do not apply hedge accounting.

The fair value of the oil derivative instrument was determined using the estimated discounted cash flows of the additional payments due to us as a result of oil prices moving above a contractual oil price floor over the term of the LTA. Significant inputs used in the valuation of the oil derivative instrument include management's estimate of an appropriate discount rate and the length of time to blend the long-term and the short-term oil prices obtained from quoted prices in active markets. The changes in fair value of our oil derivative instrument is recognized in each period in current earnings in "Realized and unrealized gain on oil derivative instrument".

Cash flows from economic hedges are classified in the same category as the items subject to the economic hedging relationship.

#### Changes in presentation of fair value of derivative instruments and oil derivative instrument

With effect from the year ended December 31, 2018, we presented two new line items in operating activities on the face of the statements of cashflows. Given the significance of the oil derivative instrument in current year, we believe that the introduction of this new line item in the statements of cashflows provides users of our financial statements greater transparency over a key element of our business. This presentation change has been retrospectively restated in prior periods. The change in presentation for the years ended December 31, 2017 and 2016 are as follows:

(in thousands of \$)	As previously reported	Adjustments (decrease) increase	As adjusted
December 31, 2016			
Change in fair value of derivative instruments	—	(26,644	) (26,644)
Change in assets and liabilities:			
Other current and non-current assets	14,924	(309	) 14,615
Other current and non-current liabilities	(17,273	) 26,953	9,680
December 31, 2017			
Change in fair value of derivative instruments	—	(24,498	) (24,498)
Change in assets and liabilities:			
Other current and non-current assets	(102,453	) 21,556	(80,897)
Change in fair value of oil derivative instrument	—	(15,100	) (15,100)
Other current and non-current liabilities	81,844	18,042	99,886

#### (Losses) gains on derivative instruments

With effect from the year ended December 31, 2018, we presented a new line item under financial income (expense) on the face of the statements of income. The new line item, "(Losses) gains on derivative instruments", includes the

movement of our derivative instruments. Previously, these items were presented within "Other financial items, net" along with our general finance costs. We believe that the introduction of this new line item in the statements of income provides users of our financial statements greater transparency over a key element of our business. This presentation change has been retrospectively restated in prior periods. The change in presentation for the years ended December 31, 2017 and 2016 are as follows:

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(in thousands of \$)	As previously reported	Adjustments decrease	As adjusted
December 31, 2016			
Gains (losses) on derivative instruments	—	16,491	16,491
Other financial items, net	8,691	(16,491	) (7,800 )
December 31, 2017			
Gains (losses) on derivative instruments	—	20,696	20,696
Other financial items, net	20,627	(20,696	) (69 )

### Convertible bonds

We account for debt instruments with convertible features in accordance with the details and substance of the instruments at the time of their issuance. For convertible debt instruments issued at a substantial premium to equivalent instruments without conversion features, or those that may be settled in cash upon conversion, it is presumed that the premium or cash conversion option represents an equity component.

Accordingly, we determine the carrying amounts of the liability and equity components of such convertible debt instruments by first determining the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an equity component. The carrying amount of the equity component representing the embedded conversion option is then determined by deducting the fair value of the liability component from the total proceeds from the issue. The resulting equity component is recorded, with a corresponding offset to debt discount which is subsequently amortized to interest cost using the effective interest method over the period the debt is expected to be outstanding as an additional non-cash interest expense. Transaction costs associated with the instrument are allocated pro-rata between the debt and equity components.

For conventional convertible bonds which do not have a cash conversion option or where no substantial premium is received on issuance, it may not be appropriate to separate the bond into the liability and equity components.

### Provisions

In the ordinary course of business, we are subject to various claims, lawsuits and complaints. Management, in consultation with internal and external advisers, will provide for a contingent loss in the financial statements if the contingency had occurred at the date of the financial statements and the likelihood of loss was probable and the amount can be reasonably estimated. If we determine that the reasonable estimate of the loss is a range and there is no best estimate within the range, we will provide the lower amount within the range.

### Pensions

Defined benefit pension costs, assets and liabilities requires adjustment of the significant actuarial assumptions annually to reflect current market and economic conditions. Our accounting policy states that full recognition of the funded status of defined benefit pension plans is to be included within our consolidated balance sheets. The pension benefit obligation is calculated by using a projected unit credit method.

Defined contribution pension costs represent the contributions payable to the scheme in respect of the accounting period and are recorded in the consolidated statements of income.

### Guarantees

Guarantees issued by us, excluding those that are guaranteeing our own performance, are recognized at fair value at the time that the guarantees are issued, or upon the deconsolidation of a subsidiary, and reported in "Other non-current liabilities". A liability is an amount equal to the fair value of the obligation undertaken in issuing the guarantee is recognized. If it becomes probable that we will have to perform under a guarantee, we will recognize an additional liability if the amount of the loss can be reasonably estimated. The recognition of fair value is not required for certain guarantees such as the parent's guarantee of a subsidiary's debt to a third party. For those guarantees excluded from the above guidance requiring the fair value recognition provision of the liability, financial statement disclosures of such items are made.

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### Treasury shares

Treasury shares are recognized as a separate component of equity at cost. Upon subsequent disposal of treasury shares, any consideration is recognized directly in equity.

### Stock-based compensation

We expense the fair value of stock options issued to employees and non-employees over the period the options vest. We amortize stock-based compensation for awards on a straight-line basis over the period during which the individuals are required to provide service in exchange for the reward - the requisite service (vesting) period. No compensation cost is recognized for stock options for which the individuals do not render the requisite service. The fair value of share options is estimated using the Black-Scholes option pricing model.

### Earnings per share

Basic earnings per share ("EPS") is computed based on the income available to common stockholders and the weighted average number of shares outstanding for basic EPS. Treasury shares are not included in the calculation. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

### Leases as lessee

Rentals under operating leases where we are the lessee are recognized as an operating expense evenly over the lease term. Contingent rentals are recognized as an operating expense when incurred. The useful life of any leasehold improvements is limited to the shorter of the lease term or economic life of the leased asset. Lease incentives, uneven payments and initial direct costs are recognized evenly over the lease term. Agreements which include renewal options are included in the lease term when considered reasonably assured.

### Income taxes

Income taxes are based on a separate return basis. The guidance on "Income Taxes" prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Deferred tax assets and liabilities are recognized principally for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization of the deferred income tax asset is dependent on generating sufficient taxable income in future years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognized directly in the statement of comprehensive income is recognized in the statement of changes in equity and not in the consolidated statements of income.

Penalties and interest related to uncertain tax positions are recognized in "Income taxes" in the consolidated statements of income.



### Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or significant influence.

### Segment reporting

A segment is a distinguishable component of the business that is engaged in business activities from which we earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker, and which are subject to risks and rewards that are different from those of other segments. We have identified three reportable industry segments: vessel operations, FLNG and Power.

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### 3. RECENTLY ISSUED ACCOUNTING STANDARDS

#### Adoption of new accounting standards

In May 2014, the Financial Accounting Standards Board (the "FASB") issued ASC 606 and subsequent amendments (Topic 606). The standard provides a single, comprehensive revenue recognition model and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We adopted this guidance on January 1, 2018, under a modified retrospective approach - see note 8 for further details. The adoption of this guidance impacts presentation and disclosure of our management fee revenue only, there is no impact to recognition or measurement.

In January 2016, the FASB issued ASU 2016-01 Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which made targeted improvements to the recognition, measurement, presentation and disclosure of financial instruments. We adopted the amendments to this ASU on January 1, 2018 under a modified retrospective approach except for equity securities without a determinable fair value, for which a prospective approach is prescribed. The adoption of this ASU did not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which provides guidance on the disclosure and classification of certain items within the statements of cash flows. We adopted this ASU on January 1, 2018 under a retrospective approach, resulting in presentational changes to our consolidated statements of cash flows. Following the adoption of the amendments to ASC 230, we have made an accounting policy election to classify distributions received from equity method investees using the "cumulative earnings approach" and, as a result, certain of the dividends received have been retrospectively reclassified, where required, as cash inflows from investing activities. We reclassified \$25.1 million and 29.0 million for the years ended December 31, 2017 and 2016, respectively.

In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash, which requires that restricted cash be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the statements of cash flows. We adopted this ASU on January 1, 2018 under a retrospective approach, resulting in presentational changes to our consolidated statements of cash flows and related disclosures. The adoption changed how restricted cash is reported in the consolidated statements of cash flows as follows for the twelve months ended December 31, 2017 and 2016:

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(in thousands of \$)	Cash flow line item	As previously reported	Adjustments decrease	As adjusted
December 31, 2016				
OPERATING ACTIVITIES	Restricted cash and short-term deposits	47,834	(47,834 )	—
INVESTING ACTIVITIES	Restricted cash and short-term deposits	22,928	(22,928 )	—
FINANCING ACTIVITIES	Restricted cash and short-term deposits	(74,608 )	74,608	—

As a result of the above changes, the following subtotals as retrospectively restated are as follows:

Net (decrease) increase in cash, cash equivalents and restricted cash	118,955	3,846	122,801
Cash, cash equivalents and restricted cash at beginning of period	105,235	412,182	517,417
Cash, cash equivalents and restricted cash at end of period	224,190	416,028	640,218

December 31, 2017

OPERATING ACTIVITIES	Restricted cash and short-term deposits	57,110	(57,110 )	—
INVESTING ACTIVITIES	Restricted cash and short-term deposits	11,239	(11,239 )	—
FINANCING ACTIVITIES	Restricted cash and short-term deposits	(50,136 )	50,136	—

As a result of the above changes, the following subtotals as retrospectively restated are as follows:

Net (decrease) increase in cash, cash equivalents and restricted cash	(9,328 )	(18,213 )	(27,541 )
Cash, cash equivalents and restricted cash at beginning of period	224,190	416,028	