

- \$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 25(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:

	December 31,			
(in thousands of \$)	2018	2017	Change	% Change
Share of 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 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 14 "Investment in Affiliates" of our consolidated financial statements included herein for further details.

FLNG segment

	December 31,			
(in thousands of \$)	2018	2017	Change	% Change
Total operating revenues	127,625	—	127,625	100 %
Vessel operating expenses	(26,317)	(2)	(26,315)	1,315,750 %
Voyage expenses	(1,363)	(121)	(1,242)	1,026 %
Administrative expenses	175	(1,736)	1,911	(110)%
Project development expenses	(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 income	58,150	10,735	47,415	442 %
Equity in net losses of affiliates	(2,047)	(8,153)	6,106	(75)%

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 Gimi GTA 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 wrote 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