

# **Half-Yearly Financial Report**

Njord Gas Infrastructure Group  
Njord Gas Infrastructure Holding AS

For the period 1 January 2011 to 30 June 2011

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## Management Report

We are pleased to present the consolidated half-yearly financial report for Njord Gas Infrastructure Group being Njord Gas Infrastructure Holding AS and its wholly-owned subsidiary Njord Gas Infrastructure AS (the "**Group**") and the individual half-yearly financial report for Njord Gas Infrastructure Holding AS ("**Holding Company**") for the period 1 January 2011 to 30 June 2011.

### About Njord Gas Infrastructure Group

The Group's main business is investing in gas infrastructure on the Norwegian continental shelf through Gassled – the world's largest offshore gas transmission system. The Group has its main office in Stavanger, Norway. The Holding Company is owned by UBS International Infrastructure Fund Holding Coöperatie UA (82%) and CDC Infrastructure SA (18%).

The following key events occurred during the six months to 30 June 2011.

- 2 February 2011 - the Group received all necessary government approvals to acquire ExxonMobil's 8.036% stake in Gassled (the "**ExxonMobil Transaction**").
- 26 May 2011 - the Group entered into swap contracts related to bonds to be issued under its NOK equivalent 10,000,000,000 Secured Note Term Programme ("**Bond Programme**") with Royal Bank of Scotland plc and UBS Limited (see Note 4).
- 9 June 2011 - the Group issued four series of bonds under the Bond Programme ("**June 2011 Bonds**") (see Note 4). The June 2011 Bond proceeds of c. NOK 4 billion were used to partly finance the ExxonMobil Transaction.
- 16 June 2011 - the Group completed the ExxonMobil Transaction and paid the purchase price.
- 20 June 2011 - the June 2011 Bonds were listed on Oslo Børs.

### Key events for the six months from 1 July 2011

The following key events have occurred or are expected to occur for the six months from 1 July 2011.

- 12 August 2011 - the Group repaid its US dollar and euro denominated shareholder loans to UBS International Infrastructure Fund Holding Coöperatie UA and CDC Infrastructure SA.
- 1 September 2011 - Mr Dan Jarle Flølo will commence employment as Group chief executive officer.
- 30 September 2011 - this is the first interest payment date on the June 2011 Bonds.

### Going Concern

Pursuant to § 3-3 of the Norwegian Accounting Act, we the Management of the Group confirm that the conditions for continued operations as a going concern are

present for the Group and that the half-yearly financial statements for the six months to 30 June 2011 have been prepared on this basis.

### **The financial statements**

The key events that occurred during six months to 30 June 2011 have now exposed the Group to the risks outlined in section 1 of the registration document issued in respect of the Bond Programme (available on the Oslo Børs website under Njord Gas infrastructure). Those risks are mainly related to the Group's investment in Gassled and to the June 2011 Bonds.

The key events during the six months to 30 June 2011 have also had a fundamental impact upon the Group's financial statements:

- The Group's ownership in Gassled is represented for the first time.
- The Bond Programme and related swaps are also represented for the first time.
- The equity base of the Group was increased significantly to partly fund the ExxonMobil Transaction.

We the management of the Group make the following statements in relation to this Report including the half-yearly financial statements:

- To the best of our knowledge the Report has been prepared in accordance with applicable accounting standards and reflects a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and of the Holding Company.
- To the best of our knowledge this management report includes a fair review of the key events that have occurred during the six months to 30 June 2011 and their impact upon the half-yearly financial statements. In addition we have highlighted the principal risks and uncertainties for the six months from 1 July 2011.
- The half-yearly financial statements have not been audited or reviewed by the Group's auditors as only the Group's annual financial statements are so audited or reviewed.

### **Health, safety and environment/equal opportunity**

As the Group now has direct employees, it has now implemented procedures related to work environment and equal opportunity. At present there are no female members of the Board. The Group works actively on measures that can reduce any negative impact on the environment.

Stavanger, 29 August 2011



Mark Andrew Gilligan  
Chief Executive Officer



Jeffrey Lance Woodard  
Finance Director

# **Consolidated Financial Statements**

## Njord Gas Infrastructure Group

For the period 1 January 2011 to 30 June 2011

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## Consolidated income statement

Note	Period ended 30 June 2011 NOK	Period ended 30 June 2010 NOK
Transportation and processing revenue	159,053,355	-
<i>Operating expense</i>		
Transportation and processing expense	31,460,527	-
Depreciation	23,409,655	-
Other operating expense	13,159,366	1,064,104
<b>Total operating expense</b>	<b>68,029,548</b>	<b>1,064,104</b>
<b>Operating Income</b>	<b>91,023,807</b>	<b>(1,064,104)</b>
<i>Financial income and expense</i>		
Interest income	229,753	-
Other financial income	62,463,900	-
Other gains and losses	(290,746,436)	-
Interest expense	4 (4,881,866)	-
Other financial expense	(3,349,241)	-
<b>Total financial income and expense</b>	<b>(236,283,890)</b>	<b>-</b>
<b>Income / (loss) before taxes</b>	<b>(145,260,084)</b>	<b>(1,064,104)</b>
Income tax expense	(18,001,569)	-
<b>Net income for the period</b>	<b>(127,258,515)</b>	<b>(1,064,104)</b>
Ordinary and diluted earnings per share	(15)	(1,064)

## Consolidated statement of comprehensive income

	Period ended 30 June 2011 NOK	Period ended 30 June 2010 NOK
Total other comprehensive income	-	-
Gain / (loss) for the year	(127,258,515)	(1,064,104)
<b>Total comprehensive gain / (loss)</b>	<b>(127,258,515)</b>	<b>(1,064,104)</b>
Ordinary and diluted total comprehensive income per share	(15)	(1,064)

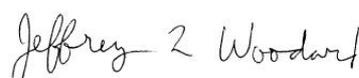
## Consolidated statement of financial position

	Note	As at 30 June 2011 NOK	As at 31 Dec 2010 NOK
<b>Assets</b>			
<i>Non-current assets</i>			
Deferred tax asset		74,419,948	-
Gassled Infrastructure	2	4,921,112,874	14,138,328
<b>Total non-current assets</b>		<b>4,995,532,822</b>	<b>14,138,328</b>
<i>Current assets</i>			
Other short term receivables		296,098,461	-
Cash and bank deposits		1,148,539,872	187,431
<b>Total current assets</b>		<b>1,444,638,333</b>	<b>187,431</b>
<b>Total assets</b>		<b>6,440,171,155</b>	<b>14,325,759</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	3	21,230,000	100,000
Retained earnings		(129,315,545)	(2,057,030)
<b>Total equity</b>		<b>(108,085,545)</b>	<b>(1,957,030)</b>
Not registered capital	3	893,295,150	15,130,000
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Shareholder loans	4	1,198,088,912	-
Bond loans	4	3,664,716,291	-
Other financial liabilities	4	339,283,737	-
<b>Total non-current debt</b>		<b>5,202,088,940</b>	-
<i>Current liabilities</i>			
Current tax payable		338,510,274	-
Other current liabilities		96,731,905	-
Trade creditors		17,630,432	1,152,789
<b>Total current liabilities</b>		<b>452,872,610</b>	<b>1,152,789</b>
<b>Total equity and liabilities</b>		<b>6,440,171,155</b>	<b>14,325,759</b>

Stavanger, 29 August 2011



Mark Andrew Gilligan  
Chief Executive Officer



Jeffrey Lance Woodard  
Finance Director

## Consolidated statement of changes in equity

	Nominal share capital NOK	Retained earnings NOK	Total equity NOK
Total equity at incorporation as at 25 January 2010	100,000	-	100,000
Total comprehensive loss for the period		(1,064,104)	(1,064,104)
<b>Total equity as at 30 June 2010</b>	<b>100,000</b>	<b>(1,064,104)</b>	<b>(964,104)</b>
	Nominal share capital NOK	Retained earnings NOK	Total equity NOK
Total equity as at 1 January 2011	100,000	(2,057,030)	(1,957,030)
Total comprehensive income for the period		(127,258,515)	(127,258,515)
Increase in share capital	21,130,000		21,130,000
<b>Total equity as at 30 June 2011</b>	<b>21,230,000</b>	<b>(129,315,545)</b>	<b>(108,085,545)</b>

## Consolidated cash flow statement

	Note	Period ended 30 June 2011 NOK	Period ended 30 June 2010 NOK
<i>Cash flows from operating activities</i>			
Profit / (loss) before taxes		(145,260,084)	(1,064,104)
Depreciation		23,409,655	-
Interest expenses not paid		4,132,400	-
Interest income not received		(229,753)	-
Other gains and losses		290,746,436	-
Changes in other short term asset and liabilities		(174,853,271)	-
Change in trade payables		113,209,548	1,064,104
Foreign exchange effects		(61,340,562)	-
<b>Net cash flow from operating activities</b>		<b>49,814,368</b>	-
<i>Cash flows from investing activities</i>			
Investment costs – acquisition of joint venture		(4,769,307,743)	-
<b>Net cash flow from investing activities</b>		<b>(4,769,307,743)</b>	-
<i>Cash flows from financing activities</i>			
Cash in from paid in capital		6,000,000	-
Not registered capital increase		893,295,150	-
Issue of bond loans		3,772,089,626	-
Shareholder loans	6	1,196,461,040	-
<b>Net cash flow from financing activities</b>		<b>5,867,845,816</b>	-
Net change in cash and cash equivalents		1,148,352,442	-
<b>Cash and cash equivalents at the beginning of the period</b>		<b>187,431</b>	<b>100,000</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,148,539,873</b>	<b>100,000</b>
Interest paid		-	-

## Notes to the consolidated accounts

### Note 1 General information

Njord Gas Infrastructure Holding AS (the "**Holding Company**"), which is the parent company in the Njord Gas Infrastructure Group ("**Group**"), is a limited liability company incorporated and domiciled in Norway, with its main office in Stavanger. The Group, through its wholly-owned subsidiary Njord Gas Infrastructure AS (the "**Company**"), has acquired an 8.036% interest in Gassled.

This report covers the period from 1 January 2011 to 30 June 2011 and has been prepared in accordance with IAS 34 Interim Financial Reporting. The Report does not include all the information and disclosure required in the annual financial report and should be read in conjunction with the Group's annual report for the year ending 31 December 2010.

The accounting policies adopted in the preparation of this Report are consistent with those followed in the preparation of the Group's annual report for the year ending 31 December 2010 except for those discussed below. New and amended IFRS standards applicable for the period starting 1 January 2011 currently do not apply to the Group's financial statements.

### Accounting principles not described in the 2010 financial statements

#### *Financial instruments - derivatives*

Derivative instruments, swaps for currency, interest rates and inflation, are classified as financial assets or liabilities at Fair Value Through Profit or Loss ("**FVTPL**"). Financial instruments at FVTPL are stated at fair value in the statement of financial position, with any gains or losses arising on remeasurement recognised in profit or loss.

#### *Financial instruments – bond loans at FVTPL*

Three of the four bond series (excepting the NOK real bond loan) in the June 2011 Bonds will be designated at FVTPL upon initial recognition. This has been done because the Group has also entered corresponding swap contracts that exchange its economic exposure to local currency nominal debt service for NOK inflation linked debt service (see Note 4). Given the relationship between the swaps and the bonds in question the Group will apply FVTPL to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise related to the swaps.

The June 2011 Bonds recognised at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest expense on the financial liability and is included in the "other gains and losses" line in the income statement.

### Note 2 Acquisition of interest in Gassled

On 16 June 2011 the Group completed its acquisition of an 8.036% interest in Gassled.

As further described in the accounting principles in the Group's annual report for the year ending 31 December 2010, it is assessed that this transaction does not represent

a business combination. The consideration and transaction costs have consequently been allocated between identifiable assets acquired and liabilities incurred. This allocation of the consideration and transaction costs is provisional and may be subject to amendment prior to this initial recognition if new information is provided regarding conditions that existed at the transaction date. As of 30 June the acquired non current asset is presented in the balance sheet as Gassled Infrastructure, with the working capital interests in the joint ventures presented as part of the current assets and current liabilities for the Group. Current taxes as of the transaction date have been recorded in the balance sheet.

### Note 3 Share capital

	Shares	Ownership
UBS International Infrastructure Fund Holding Coöperatie UA	174,086	82%
CDC Infrastructure SA	38,214	18%
Total number of shares	212,300	100%

8,932,950 additional shares have been issued as of 30 June 2011. This capital increase has not been formally registered as of 30 June 2011 and is presented as Not registered capital in the equity section of the balance sheet. Of the additional shares UBS International Infrastructure Fund Holding Coöperatie UA owns 7,325,019 shares and CDC Infrastructure SA owns 1,607,931 shares.

### Note 4 Borrowings

#### *Financial instruments – bond loans and shareholder loans*

To finance its acquisition of an interest in Gassled, the Group has entered into several loan agreements. The table below summarises the contracts:

	Nominal amount	Interest rate	Maturity
NOK real bond loan (1)	NOK 300,000,000.00	4.3000%	30 Sept. 2027
NOK nominal bond loan (2)	NOK 550,000,000.00	6.1525%	30 Sept. 2027
GBP nominal bond loan (3)	GBP 165,000,000.00	5.2410%	30 Sept. 2027
USD nominal bond loan (4)	USD 265,000,000.00	5.1000%	30 Sept. 2027
USD shareholder loans from UBS (5)	USD 127,398,636.76	6.0000%	Repaid in Aug 2011
NOK shareholder loan from UBS (5)	NOK 289,962,954.66	6.0000%	30 Sept. 2028
EUR shareholder loan from CDC (5)	EUR 19,773,850.36	6.0000%	Repaid in Aug 2011
NOK shareholder loan from CDC (5)	NOK 63,650,404.68	6.0000%	30 Sept. 2028

(1) Series 1 - 4.3000 % NOK Njord Gas Infrastructure AS Index Linked Bond Issue 2011/2027  
ISIN NO 001 060768.2

(2) Series 2 - 6.1525 % Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027  
ISIN NO 001 060769.0

(3) Series 3 - 5.2410 % GBP Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027  
ISIN NO 001 061111..

(4) Series 4 - 5.1000 % USD Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027  
ISIN NO 001 061112.2

(5) Both UBS International Infrastructure Fund Holding Coöperatie UA and CDC Infrastructure SA are shareholders of the Holding Company

The bond loans were issued by the Group on 9 June 2011 and were listed on the Oslo Børs on 20 June 2011. The Group will pay interest semi-annually and will repay the principal in instalments over time with the final instalment on 30 September 2027.

### **Financial instruments – derivative instruments**

The Group has entered into a series of swap contracts with the Royal Bank of Scotland plc and UBS Limited (collectively the “**Swap Providers**”). The swaps are matched exactly to each bond tranche (timing, payment structure, maturity) so that the Group exchanges its economic exposure to local currency nominal debt service for NOK inflation linked debt service (see table below):

	<b>Group pays to Swap Providers</b>	<b>Group receives from Swap Providers</b>	<b>Maturity</b>
USD nominal bond loan / swaps	NOK inflation linked interest and principal	USD nominal interest and principal	30 Sept. 2027
GBP nominal bond loan / swaps	NOK inflation linked interest and principal	GBP nominal interest and principal	30 Sept. 2027
NOK nominal bond loan / swaps	NOK inflation linked interest and principal	NOK nominal interest and principal	30 Sept. 2027

The purpose of these swap contracts is the following:

#### *a) Reduce bond loan currency risk*

After taking into account the swaps, the Group is only exposed to debt service in NOK so that its debt service obligations are not impacted by movements in the USD and GBP versus the NOK.

#### *b) Match debt service with the NOK inflation linked cash flows of Gassled*

Through the Group’s investment in Gassled, the Group receives an inflation adjusted NOK revenue stream and pays costs that are predominantly in NOK and inflation adjusted. By executing the swap contracts with the Swap providers, the Group has exchanged local currency nominal bond debt service (NOK nominal bond loan, USD nominal bond loan, GBP nominal bond loan) for NOK inflation linked debt service that matches the underlying inflation linked NOK cash flows related that come from its investment in Gassled.

### **Note 5 Related party disclosures**

#### *a) Overview of subsidiaries*

The following subsidiaries are included in the consolidated financial statements:

<i>Company</i>	<b>Country of incorporation</b>	<b>% of equity and voting</b>
Njord Gas Infrastructure AS	Norway	100

#### *b) Transactions and balances with related parties*

The Group has shareholder loans with related parties described in Note 3 above. The Group also has swap contracts with UBS Limited as described in Note 4 above.

#### *c) Transactions with related parties*

The Group has paid NOK 13.5 million to UBS Limited for its role as bond joint lead arranger. Both UBS International Infrastructure Fund Holding Coöperatie UA and CDC Infrastructure SA have incurred travel and entertainment expenses related to the ExxonMobil transaction and to ongoing management of the Group and provisions have been made for these amounts.

# **Financial Statements**

## Njord Gas Infrastructure Holding AS

For the period 1 January 2011 to 30 June 2011

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## Income statement

	Note	Period ended 30 June 2011 NOK	Period ended 30 June 2010 NOK
<i>Operating income</i>		-	-
<i>Operating expense</i>			
Other operating expense		75,525	-
<b>Total operating expense</b>		<b>75,525</b>	-
<b>Operating Loss</b>		<b>(75,525)</b>	-
<i>Financial income and expense</i>			
Other financial income		-	-
Other financial expense		-	-
<b>Total financial income and expense</b>		-	-
<b>Loss before taxes</b>		<b>(75,525)</b>	-
Income tax expense		-	-
<b>Loss for the period</b>		<b>(75,525)</b>	-
Transferred to other equity		(75,525)	-
<b>Total dispositions</b>		<b>(75,525)</b>	-

## Statement of financial position

	Note	As at 30 June 2011 NOK	As at 31 Dec 2010 NOK
<b>Assets</b>			
<i>Non-current assets</i>			
Investments in subsidiaries	4	914,395,000	15,100,000
Loan to subsidiaries		110,660	110,660
<b>Total non-current assets</b>		<b>914,505,660</b>	<b>15,210,660</b>
<i>Current assets</i>			
Cash and bank deposits		200	50
<b>Total current assets</b>		<b>200</b>	<b>50</b>
<b>Total assets</b>		<b>914,505,860</b>	<b>15,210,710</b>
<b>Equity and liabilities</b>			
<i>Paid in equity</i>			
Share capital	2, 3	21,230,000	100,000
Not registered capital increase	3	893,295,150	15,130,000
<b>Total paid in capital</b>		<b>914,525,150</b>	<b>15,230,000</b>
<i>Retained earnings</i>			
Retained earnings		(94,815)	(19,290)
<b>Total equity</b>		<b>914,430,335</b>	<b>15,210,710</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade creditors		75,525	-
<b>Total current liabilities</b>		<b>75,525</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>914,505,860</b>	<b>15,210,710</b>

Stavanger, 29 August 2011



Mark Andrew Gilligan  
Chief Executive Officer



Jeffrey Lance Woodard  
Finance Director

## Cash flow statement

	Note	Period ended 30 June 2011 NOK	Period ended 30 June 2010 NOK
<i>Cash flows from operating activities</i>			
Loss before taxes		(75,525)	-
Changes in trade payables		75,525	-
<b>Net cash flow from operating activities</b>		-	-
<i>Cash flows from investing activities</i>			
Investment costs – acquisition of joint venture	1	(899,295,000)	-
<b>Net cash flow from investing activities</b>		<b>(899,295,000)</b>	-
<i>Cash flows from financing activities</i>			
Cash in from paid in capital	3	6,000,000	-
Not registered capital increase	3	893,295,150	-
<b>Net cash flow from financing activities</b>		<b>899,295,150</b>	-
Net change in cash and cash equivalents		150	-
<b>Cash and cash equivalents at the beginning of the period</b>		<b>50</b>	<b>100,000</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>200</b>	<b>100,000</b>
Interest paid		-	-

## Notes to the accounts

### Note 1 General information

Njord Gas Infrastructure Holding AS (the "**Holding Company**"), which is the parent company in the Njord Gas Infrastructure Group ("**Group**"), is a limited liability company incorporated and domiciled in Norway, with its main office in Stavanger. The Holding Company, through its wholly-owned subsidiary Njord Gas Infrastructure AS, has acquired an 8.036% interest in Gassled.

This report covers the period from 1 January 2011 to 30 June 2011 and has been prepared in accordance with NRS 11 Interim Reporting. The Report does not include all the information and disclosure required in the annual financial statement and should be read in conjunction with the Holding Company's annual report for the year ending 31 December 2010.

The accounting policies adopted in the preparation of this Report are consistent with those followed in the preparation of the Holding Company's annual report for the year ending 31 December 2010.

### Note 2 Shareholders and number of shares

	Shares	Ownership
UBS International Infrastructure Fund Holding Coöperatie UA	174,086	82%
CDC Infrastructure SA	38,214	18%
<b>Total number of shares</b>	<b>212,300</b>	<b>100%</b>

8,932,950 additional shares have been issued as of 30 June 2011. This capital increase has not been formally registered as of 30 June 2011 and is presented as Not registered capital in the equity section of the balance sheet. Of the additional shares UBS International Infrastructure Holding Coöperatie UA owns 7,325,019 shares and CDC Infrastructure SA owns 1,607,931 shares.

### Note 3 Equity reconciliation

	Nominal share capital NOK	Not registered capital NOK	Retained earnings NOK	Total equity NOK
Total equity at incorporation 25 January 2010	100,000	-	-	100,000
Profit / (loss) for the period		-	-	-
<b>Total equity as at 30 June 2010</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>

	<b>Nominal share capital NOK</b>	<b>Not registered capital NOK</b>	<b>Retained earnings NOK</b>	<b>Total equity NOK</b>
Total equity as at 1 January 2011	100,000	15,130,000	(19,290)	15,210,710
Profit / (loss) for the period			(75,525)	(75,525)
Registration of share capital	15,130,000	(15,130,000)		-
Share issues	6,000,000	893,295,150		-
<b>Total equity as at 30 June 2011</b>	<b>21,230,000</b>	<b>893,295,150</b>	<b>(94,815)</b>	<b>914,430,335</b>

#### **Note 4 Investment in subsidiaries**

In the first half of 2011, Njord Gas Infrastructure Holding AS increased its investment in the Company by NOK 899,295,150.