



# **CONSOLIDATED ANNUAL FINANCIAL REPORT**

**2013**

**Njord Gas Infrastructure Group  
Njord Gas Infrastructure Holding AS**

## Njord Gas Infrastructure Group

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## **Board of Director's report 2013**

We are pleased to present the 2013 annual financial report for the consolidated Njord Gas Infrastructure Group ('the Group') and for Njord Gas Infrastructure Holding AS ('the Holding Company').

### **About the Njord Gas Infrastructure Group**

The Group's main business is long-term investment in gas infrastructure serving the Norwegian continental shelf. The Holding Company is a Norwegian private limited liability company headquartered in Stavanger, Norway. The Group's main activities are carried out through the Norwegian subsidiary, Njord Gas Infrastructure AS.

The Group has an 8.036% ownership interest in Gassled, an unincorporated joint venture gas pipeline business (the 'Joint Venture').

The Holding Company is owned by UBS International Infrastructure Fund Holding Coöperatie U.A. (82%) and CDC Infrastructure SA (18%).

The Group's and Holding Company's reporting currency is Norwegian Kroner (NOK). Foreign currency transactions are translated at market rates. Comparable figures from prior year are provided in brackets.

The financial statements of the Holding Company have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### **Business activities**

Operationally, 2013 was an excellent year for Gassled with system deliverability as high as 99.7% and total deliveries of gas amounting to 102.5bn m<sup>3</sup>.

### ***Regulatory developments***

On 27 June 2013, the Ministry of Petroleum and Energy ('MPE') announced changes in the Tariff Regulation which became effective on 1 July 2013 (the 'Amendment').

In the Amendment, the capital element ('K') of the Gassled tariff was reduced by 90% for a majority of the tariff areas. The reduction will apply for capacity booked after 1 July 2013 for use after 1 October 2016. Tariff for existing bookings are not affected by the Amendment and the operational expense element ('O') and the capital investment element ('I') of the tariff will remain unchanged.

Significant parts of the Gassled system have high levels of bookings until the end of the license period. The implications for the Group are not substantial in the short to medium term, but will increase over time as new bookings at the lower tariff start to account for a higher proportion of the revenue basis. Based on an analysis of the implications of the Amendment, the Group forecasts that it will generate sufficient cash to service all of its debt obligations.

In response to the Amendment, Njord Gas Infrastructure AS filed a writ of summons to initiate legal proceedings against the MPE on 16 January 2014. In the writ of summons, Njord Gas Infrastructure AS argues that the MPE's decision to reduce the Gassled tariffs does not

## **Njord Gas Infrastructure Group**

have sufficient legal basis and must therefore be ruled invalid and claims compensatory damages for the loss incurred as a result of the decision. The legal proceedings are ongoing at the date of this report.

### ***Implication for bond rating***

On 2 May 2013, Standard & Poor's ('S&P') issued a research update where the Group's bond ratings were lowered by one notch, from A- to BBB+ with a CreditWatch negative, in response to the proposed reduction in Gassled tariffs. In the ratings review, S&P stated that: *"We are lowering our long-term issue ratings on the bonds issued by NGI due to the continuing lack of transparency in the process launched by the Norwegian Ministry of Petroleum & Energy ('MPE'), and the impact this has on our view of the future stability and predictability of the regulatory regime."*

S&P further stated: *"The continuing CreditWatch placement reflects our view of the potential impact on the project's financial profile of the proposed reduction in tariffs by the MPE. We aim to resolve the CreditWatch placement following finalization of the tariff structure by the MPE."*

Following the MPE's announcement of the Amendment, S&P issued a research update on 1 August 2013 where the bond ratings were lowered by four notches, from BBB+ to BB, in response to the effects on the Group's financial profile caused by the Amendment. The BB rating carries a Stable Outlook and a recovery rating of '1'.

### **Going concern**

In accordance with the Norwegian Accounting Act section 3-3, the Board confirms that the conditions for continued operations as a going concern are present for the Holding Company and the Group and that the annual financial statements have been prepared under this presumption.

### **Income statement and statement of financial position**

Operating revenue for the year amounted to NOK 1,911 million (NOK 1,886 million). Net operating income for the year amounted to NOK 1,117 million (NOK 1,113 million).

Net financial income of NOK 156 million (net expense of NOK 363 million) mainly relates to cost and fair value gains (losses) associated to the Group's bonds and swaps. The Board is of the opinion that mitigating the underlying economic risk relating to cash flows is of high importance to its stakeholders and that by synchronizing its debt service with its revenue base, the swapped position provides an effective hedge for the Group's overall cash flow position. However, the concept of using swaps to convert the three nominal bond series into a synthetic NOK denominated inflation linked bond as further outlined in Note 7 of the financial statements, creates an accounting mismatch which in the previous year adversely impacted the Group's net financial results. In the current year, an increase in credit spread following the Amendment and subsequent lowered rating on the Group's bonds, reduced the fair value of the bonds and resulted in a net financial income (ref. Note 3).

The Group's tax expense was NOK 949 million (NOK 799 million). The effective tax rate of 75% for the year was lower than the corporate tax rate (28%) plus the petroleum tax rate (50%) at 78% mainly due to the net financial income and onshore income which does not qualify for the petroleum tax element. This effect is partly offset by depreciation of permanent differences.

## **Njord Gas Infrastructure Group**

Net income for the year amounted to NOK 323 million (loss of NOK 48 million).

At 31 December 2013, total consolidated assets amounted to NOK 5,775 million (NOK 6,229 million), of which the investment in Gassled amounted to NOK 4,680 million (NOK 4,734 million). Cash and cash equivalents amounted to NOK 415 million (NOK 829 million).

### **Capital and financing**

Net consolidated cash flow for the year was negative NOK 414 million (positive NOK 277 million). Cash flow from operating activities amounted to NOK 481 million (NOK 606 million). Cash flow to investing activities amounted to NOK - 250 million (NOK - 168 million) and cash flow from financing activities amounted to NOK - 645 million (NOK - 161 million). A detailed cash flow statement is included in the financial statements.

The Group has on issue four series of bond loans which are listed on the Oslo Stock Exchange. The bonds were issued in 2011 to part finance the Gassled acquisition and mature in 2027. The various bond series comprise a NOK 300 million index linked tranche, a NOK 550 million nominal tranche, a GBP 165 million nominal tranche and a USD 265 million nominal tranche.

On 9 August 2013 the Group announced an invitation to purchase own bonds up to a value of NOK 300 million. The offer was structured as an 'open market repurchase' and on 22 August 2013, the Group accepted offers to buyback bonds for a nominal value of GBP 28 million in the GBP 165 million tranche at a weighted average price of 94.04 to par. The 28 million of bonds are held as treasury bonds. During the year, the Group also repaid NOK 6 million (NOK 4 million) in nominal value of the NOK 300 million index linked tranche in accordance with the terms of the loan agreement.

Through the Group's investment in Gassled, it receives an inflation adjusted revenue stream which is mainly NOK denominated. In order to synchronize its debt service to its revenue base, the Group entered into three swap arrangements to exchange its nominal debt liabilities into a NOK denominated inflation linked debt service. These swap arrangements match the structure of the bonds perfectly and are expected to provide an effective hedge of the currency and cash flow risks underlying the nominal bond series. Following the buyback of GBP 28 million, the equivalent swap position was settled for a consideration of NOK 1.5 million. The Group also paid net principal payments of NOK 72 million (NOK 52 million) to its swap providers during the year.

The Group paid a dividend of NOK 308 million (nil) to its shareholders during the year. In the comparable period previous year, the Group repaid principal (NOK 105 million) on shareholder loans. The Group did not make any repayments on shareholder loans in the current year. At balance sheet date, shareholder loans including accrued interest of NOK 166 million remain outstanding.

### **Risk management and internal control**

The Board of Directors shall ensure that the Group has good internal control functions and appropriate systems for risk management tailored to its operations and in accordance with the Group's core values, ethical guidelines and social responsibility policy. A review of the Group's most important risk areas and its internal control functions is conducted by the Board at minimum on an annual basis.

## **Njord Gas Infrastructure Group**

The Board has established three sub-committees to assist the Board to meet its responsibilities in relation to specific areas:

### *Health, Safety & Environment Committee ('HSEC')*

The HSEC reviews the Group's HSE performance and the effectiveness of the health and safety policy and environment policy in order to assist the Board to meet its oversight responsibilities in relation to the Group's health, safety and environment performance.

### *Audit & Risk Committee ('AC')*

The AC reviews the effectiveness of the Group's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks in order to assist the Board to meet its oversight responsibilities in relation to the Group's financial reporting, internal control, risk management and legal and regulatory compliance.

The auditor meets with the AC without any employees of the Group being present at least once each year.

### *Human Resources & Compensation Committee ('HRC')*

The HRC reviews the Group's remuneration policies and practices and oversees the organizational development and practices in order to assist the Board in ensuring the establishment of human resources and compensation policies and practices which is fair, responsible and create value for the owners.

## **Risks**

The Group's activities expose it to a variety of financial risks, including market risks, credit risks and liquidity risks. The Group's risk management program includes focusing on the unpredictability of financial markets and seeks to minimize potential adverse effects of such risks on its financial performance. The Group will therefore continue to manage its currency and cash flow exposures through derivative financial instruments for its long term exposures in accordance with market practice and to maintain flexibility in its liquidity base by keeping committed credit lines available.

The Group was established in 2010 and has a limited operating history. The acquisition of the ownership share in Gassled was completed in June 2011. Most of the Gassled assets are mature assets with a long operation history and stable management by Gassco AS ('Gassco'). However, no assurance can be given that this trend will continue or that future results will correspond to the previous performance of the Gassled assets. Although the Group has taken out insurances against certain risks and losses, not all operating risks are insurable and the coverage is subject to exclusions and limitations. The occurrence of any events that affect Gassled operations and are not fully covered by insurance could have a significant adverse effect of the Group's financial condition.

The Group has no significant assets except for those relating to the ownership share in Gassled. The operations, licenses and tariff system of Gassled are regulated by the MPE. The tariff regulations are designed to cover actual operating costs and capital costs for the facilities as well as a reasonable return on capital invested. As further outlined in the 'Business activities' section of this report, the MPE amended the Tariff Regulation in June 2013. The Amendment significantly reduced the future income basis of the Group. No guarantee can be given that the framework and/or the tariff basis will not be subject to further amendments in

## **Njord Gas Infrastructure Group**

the future. A decrease in future bookings and/or further adverse changes to the regulatory system under which Gassled operates may reduce the Group's future cash flows further.

While the regulatory framework seeks to preserve the income of each Gassled participant in the event that it does not invest in additions of new gas transport assets into Gassled, there can be no assurance that such additions will not affect the Group's income. The Group may require additional capital in the future due to unforeseen events, for participation in expansion projects to the Gassled pipeline system and/or other business opportunities that may be presented to it.

The clients of the Joint Venture are generally oil companies with a strong financial basis, but – as with suppliers and customers in general – there is always a risk that unforeseen financial difficulties or contractual disagreements may arise which could have adverse effects on the financial condition of the Group.

### **Health, safety and environment**

At the date of this report, the Group has six employees. No serious work incidents or accidents resulting in personal injuries or damages to materials or equipment occurred in 2013.

Sick leave was 2.4% (0.8%) during the year and the working environment is considered good. The Board and the management continue to focus on equal positions and opportunities for men and women among its employees and Board members. 50% (67%) of the employees are women. At present there are no female members of the Board of Directors.

### **External environment**

The Group seeks to reduce its environmental footprint with its legal obligations as the minimum standard for performance. The Group's environmental policy stipulates that all activities shall be carried out with the aim of minimizing adverse effects on the environment and applies to all personnel and contractors engaged in activities under the Group's operational control.

The Group together with its Joint Venture partners in Gassled and Gassco, the operator of Gassled, work actively on measures that can reduce any negative impact on the environment. Operation of Gassled is based on a principle of using the best available technology and striving to exploit energy as efficiently as possible as well as a philosophy of zero harm to people, the environment and material assets. This view is founded on a conviction that all harm can be prevented by systematic and purposeful HSEQ work and maintenance of an effective emergency preparedness at all times with a view to responding to all conceivable hazards and accidents.

### **Corporate social responsibility**

The Group's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Group is committed to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. The Group's whistleblower policy helps provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and the Group. As part of this policy, the Group has established a helpline which can be used for reporting unacceptable

## Njord Gas Infrastructure Group

conduct.

Corporate social responsibility is also an integrated part of Gassco's organizational culture, strategy, operational activities and ethical conduct towards the world at large. The ethical guidelines of Gassco conform to the UN's Global Compact and the OECD's guidelines for multinational companies.

Gassco's tendering process clarifies whether the supplier has established its own policy and guidelines for corporate social responsibility, and whether it has been involved in incidents related to corruption, child labor or breaches of human rights or the rights of employees to unionize. Information on such matters is obtained from the suppliers themselves, from internet searches and from Achilles. Possible conditions uncovered will be significant in qualifying the supplier for participation in the tendering process.

### Annual results and year-end appropriations

The Board proposes the following appropriation of the annual loss of NOK 252,000 in the Holding Company:

Loss transferred from other equity:	NOK 252,000
Total appropriation:	NOK 252,000

At balance sheet date, the Holding Company had total equity of NOK 605,503,654. Following an assessment of the soundness of the Holding Company's equity and liquidity in relation to its activities and risks, the Board will propose a dividend payment of NOK 250,000,000 for the ordinary general meeting to take place in May 2014.

### Outlook

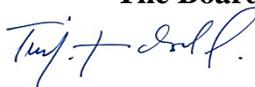
With the exception of the ongoing tariff dispute operation of the Group's main asset, the investment in Gassled, is running in line with expectations. Overall HSE results and availabilities are in line with targets.

However, the Group's long term financial profile has clearly changed as a consequence of the Amendment. The Board of Directors expects that the ongoing legal processes will require significant resources from the executive management and Board of Directors over the next 3-5 years. The Board of Directors views the Group's legal position as solid, but recognizes that there is always uncertainty associated with litigation processes. The final outcome of the court case is therefore considered uncertain. The Group intends to continue to fulfil all of its obligations as owner in Gassled.

The Board is not aware of any additional risk factors facing the Group other than those outlined in this report.

Stavanger, 28 April 2014

The Board of Directors of Njord Gas Infrastructure Holding AS



Tore I. Sandvold  
Chairman



Gautier M. J. F. Chatelus  
Director



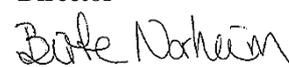
Paul J. Moy  
Director



Hugo J. Kaempfer  
Board Member



Mark A. Gilligan  
Director



Birte Norheim  
CEO

## Njord Gas Infrastructure Group

### Consolidated income statement

<i>NOK thousands</i>	Note	Year ended 31 December 2013	Year ended 31 December 2012
Transportation and processing revenue	4	1,911,213	1,886,018
<i>Operating expense</i>			
Transportation and processing expense		(453,437)	(462,548)
Depreciation	9	(303,230)	(290,440)
Employee benefit expense	5	(8,803)	(9,012)
Other operating expense	6	(28,799)	(10,767)
<b>Total operating expense</b>		<b>(794,268)</b>	<b>(772,768)</b>
<b>Net operating income/(loss)</b>		<b>1,116,944</b>	<b>1,113,250</b>
<b>Net financial income/(expense)</b>	7	<b>155,921</b>	<b>(362,530)</b>
<b>Net income/(loss) before taxes</b>		<b>1,272,865</b>	<b>750,720</b>
Income tax (expense)/credit	8	(949,382)	(799,153)
<b>Net income/(loss) for the period</b>		<b>323,483</b>	<b>(48,433)</b>

### Consolidated statement of comprehensive income

<i>NOK thousands</i>	Year ended 31 December 2013	Year ended 31 December 2012
Net income/(loss) for the period	323,483	(48,433)
<b>Total comprehensive income/(loss)</b>	<b>323,483</b>	<b>(48,433)</b>

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## Consolidated statement of financial position

<i>NOK thousands</i>	Note	As at 31 December 2013	As at 31 December 2012
<b>Assets</b>			
<i>Non-current assets</i>			
Gas transportation and processing facilities	9	4,540,421	4,611,579
Buildings	9	118,406	121,839
Construction in progress	9	20,764	0
Other fixtures & equipment	9	627	346
Asset retirement reimbursement	10	75,293	124,997
Other financial assets	11	310,675	205,436
<b>Total non-current assets</b>		<b>5,066,187</b>	<b>5,064,196</b>
<i>Current assets</i>			
Asset retirement reimbursement, current portion	10	66,466	71,576
Trade and other receivables	12	275,633	264,191
Cash and cash equivalents	13	415,314	828,853
<b>Total current assets</b>		<b>757,413</b>	<b>1,164,620</b>
<b>Total assets</b>		<b>5,823,600</b>	<b>6,228,816</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	14	228,631	457,263
Other paid in capital		377,588	457,263
Retained earnings		238,067	(85,416)
<b>Total equity</b>		<b>844,287</b>	<b>829,109</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Deferred tax liabilities	8	552,876	207,320
Shareholder loans	15/17	166,188	156,692
Bond loans	15/17	3,444,869	4,050,858
Asset retirement obligation	10	77,035	126,835
<b>Total non-current liabilities</b>		<b>4,240,968</b>	<b>4,541,705</b>
<i>Current liabilities</i>			
Asset retirement obligation, current portion	10	66,466	71,576
Current taxes	8	272,030	423,414
Other financial liabilities	11	92,090	65,351
Bond loans	15/17	198,742	192,941
Trade and other payables	16	109,019	104,720
<b>Total current liabilities</b>		<b>738,346</b>	<b>858,002</b>
<b>Total liabilities</b>		<b>4,979,314</b>	<b>5,399,707</b>
<b>Total equity and liabilities</b>		<b>5,823,600</b>	<b>6,228,816</b>

Stavanger, 31 December 2013/28 April 2014  
The Board of Directors of Njord Gas Infrastructure Holding AS



Tore I. Sandvold  
**Chairman**



Gautier M. J. F. Chatelus  
**Director**



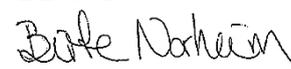
Paul J. Moy  
**Director**



Hugo J. Kaempfer  
**Board Member**



Mark A. Gilligan  
**Director**



Birte Norheim  
**CEO**

## Njord Gas Infrastructure Group

### Consolidated statement of changes in equity

<i>NOK thousands</i>	<b>Nominal share capital</b>	<b>Other paid in capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Total equity as at 1 January 2012	914,525	0	(36,983)	877,542
Total comprehensive income/(loss) for the year	0	0	(48,433)	(48,433)
Reduction of share capital	(457,263)	457,263	0	0
<b>Total equity as at 31 December 2012</b>	<b>457,263</b>	<b>457,263</b>	<b>(85,416)</b>	<b>829,109</b>

<i>NOK thousands</i>	<b>Nominal share capital</b>	<b>Other paid in capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Total equity as at 1 January 2013	457,263	457,263	(85,416)	829,109
Total comprehensive income/(loss) for the year	0	0	323,483	323,483
Reduction of share capital	(228,631)	228,631	0	0
Dividend payment proposed in 2012, paid in 2013	0	(88,306)	0	(88,306)
Dividend, proposed and paid in 2013	0	(220,000)	0	(220,000)
<b>Total equity as at 31 December 2013</b>	<b>228,631</b>	<b>377,588</b>	<b>238,067</b>	<b>844,287</b>

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### Consolidated statement of cash flow

<i>NOK thousands</i>	Note	Year ended 31 December 2013	Year ended 31 December 2012
<b><i>Cash flows from operating activities</i></b>			
Net income/(loss) before taxes		1,272,865	750,720
Depreciation	9	303,230	290,440
Interest expenses and finance expenses not paid		13,952	5,168
Foreign exchange and other gains and losses		(346,618)	168,307
Changes in trade and other receivables	12	(11,442)	(23,543)
Changes in trade and other payables	16	4,182	(13,636)
Tax payments	8	(755,189)	(571,113)
<b>Net cash flow used in operating activities</b>		<b>480,979</b>	<b>606,342</b>
<b><i>Cash flows from investing activities</i></b>			
Investment in property plant and equipment	9	(249,685)	(167,876)
<b>Net cash flow used in investing activities</b>		<b>(249,685)</b>	<b>(167,876)</b>
<b><i>Cash flows from financing activities</i></b>			
Dividend payments	14	(308,306)	0
Repayment of shareholder loans	15/17	0	(105,335)
Payment of principal bond loans	15/17	(6,210)	(4,424)
Repurchase of bond loans	15/17	(256,417)	0
Repayment of principal on swap contracts	11/17	(73,900)	(51,579)
<b>Net cash flow used in financing activities</b>		<b>(644,832)</b>	<b>(161,338)</b>
<b>Net change in cash and cash equivalents</b>		<b>(413,538)</b>	<b>277,128</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>828,853</b>	<b>551,724</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>415,314</b>	<b>828,853</b>
Interest paid		(185,643)	(203,153)

## **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 (the '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, holds an 8.036% interest in Gassled, which owns the Norwegian gas transport infrastructure.

The Group's presentation currency is Norwegian Kroner ('NOK'). All amounts in the financial statements are provided in NOK thousands unless stated otherwise.

The financial statements were authorized for issue by the Board of Directors on 28 April 2014.

### **Note 2 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### ***2.1 Basis for preparation***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements following the Norwegian Accounting Act.

The consolidated financial statements have been prepared on a historical cost basis with some exceptions, as detailed in the accounting policies set out below.

#### ***2.2 Basis of consolidation***

The consolidated financial statements comprise the financial statements of Njord Gas Infrastructure Holding AS and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed are included in the consolidated financial statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of subsidiaries are prepared for the same reporting period using consistent accounting policies as those of the Group. All intercompany balances and transactions have been eliminated upon consolidation.

#### ***2.3 Investments in joint ventures***

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The Gassled joint venture (the 'Joint Venture') is not a separate legal entity. However, the ownership of the integrated set of assets and liabilities is regulated by a contractual agreement giving the Group the rights to its share of the respective assets and liabilities.

## **Njord Gas Infrastructure Group**

The Group has accounted for the investment in Gassled as an asset acquisition based on the “joint control” concept under IAS 31. The Group’s view is that no individual partner can be considered to control the assets.

Interests in jointly controlled assets are recognized by including the Group’s share of assets liabilities, income and expense on a line-by-line basis. At balance sheet date, the interest in the Joint Venture is included in the following lines in the statement of financial position; gas transportation and processing facilities, buildings, construction in progress and other fixtures & equipment, in addition to working capital assets and liabilities.

### ***2.4 Foreign currency***

The functional currency of the Holding Company and its subsidiary is NOK. Monetary assets and liabilities denominated in other currencies are translated at exchange rates prevailing at balance sheet date. Foreign currency revenues and expenses are translated at exchange rates prevailing at transaction date. Realized and unrealized gains and losses resulting from foreign exchange are recognized in the income statement as incurred.

### ***2.5 Property, plant and equipment***

Property, plant and equipment are stated at historic cost less accumulated depreciation and any impairment loss.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over expected useful life. If individual parts of property, plant and equipment have different useful lives, they are accounted for and depreciated separately.

### ***2.6 Impairment of tangible assets***

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether any indication of impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been

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determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

### ***2.7 Asset retirement obligation***

Provisions for asset retirement obligations are recognized when the Group has an obligation (legal or constructive) to dismantle and remove gas transportation and processing facilities. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

In accordance with underlying agreements, the majority of the future asset retirement costs will be reimbursed from the companies utilizing the gas transportation system for transportation of gas (the 'Shippers'). To the extent that an asset retirement obligation recognized in the balance sheet may be reclaimed by the Shippers, it will therefore result in a corresponding receivable from the Shippers. Any part of the provision for asset retirement obligations that are to be borne by the Group is capitalized as a part of the asset cost and depreciated over the assets expected useful life.

The liability and the corresponding receivable are accreted for the change in its present value each reporting period. Accretion expense and income related to the time value of money are classified as part of financial expense and are presented net in the income statement.

The provision and the discount rate are reviewed at each reporting period.

### ***2.8 Financial instruments at fair value through profit or loss***

#### ***Derivatives***

Derivative instruments are classified as financial assets or liabilities at Fair Value Through Profit or Loss ('FVTPL'). The carrying value of derivative instruments at FVTPL represents the instrument's fair market value. Any gains or losses arising on re-measurement recognized in the income statement as incurred.

The net gain or loss recognized in profit or loss incorporates transaction cost and interest expense incurred on the financial liability.

### ***2.9 Financial assets***

Short term receivables are initially recognized at fair value plus any transaction costs. The receivables are subsequently carried at amortized cost using the effective interest method (if the amortization effect is material). The carrying amount of the asset is reduced by any impairment losses.

### ***2.10 Financial liabilities***

Financial liabilities, other than those recognized at FVTPL, are initially recognized at fair value less direct transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortized cost with any difference between cost and redemption being recognized in the statement of income over the expected duration of the loan.

### ***2.11 Cash and cash equivalents***

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

### ***2.12 Revenue***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from gas transportation and gas processing is recognized as earned in line with underlying agreements.

### ***2.13 Taxes***

Income taxes for the period comprise tax payable and changes in deferred tax. The tax rates and tax laws used to compute tax are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realized or the liabilities are settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

### ***2.14 Segment reporting***

The Group only operates within one business segment and therefore does not report segment information.

### ***2.15 Cost of equity transactions***

Transaction costs directly linked to an equity transaction are recognized directly in equity, net after tax.

### ***2.16 Cash flow statement***

The cash flow statement is prepared by using the indirect method.

### ***2.17 Equity***

#### ***Fund for unrealized gains***

The Group recognizes its nominal bonds at fair value using the FVTPL option based on the “accounting mismatch” criterion in IAS 39.9. The nominal bonds and the corresponding swap contracts are considered as a group of assets or liabilities for the purpose of recognition of unrealized gains in the fund for unrealized gains. Any applicable unrealized gains on the bonds are therefore recognized in the fund for unrealized gains net of the unrealized losses on the related derivatives and vice versa.

### ***2.18 New and amended standards and interpretations***

Amendments to standards effective for the accounting periods starting 1 January 2013 did not have any material impact on the Group’s financial statement, except for additional disclosures related to fair value measurement.

### ***IFRS and IFRIC issued but not adopted by the Group***

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group are listed below.

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It is assessed that none of the standards, amendments and interpretation to existing standards will have material impact on the financial statements as the currently is presented, however they may have impact in the future.

### ***IAS 27 Separate Financial Statements (as revised in 2011)***

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

### ***IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)***

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

### ***IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities***

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

### ***IFRS 9 Financial Instruments and subsequent amendments***

IFRS 9 is a new standard for financial instruments that is ultimately intended to replace IAS 39 in its entirety. IFRS 9 will be issued in several phases, and currently the "classification and measurement" and "general hedge accounting" has been issued. According to IASB the standard is effective for annual periods beginning on or after 1 January 2017. EU has not yet decided on effective date. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets and financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

### ***IFRS 10 Consolidated Financial Statements***

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014. (IASB effective date is 1 January 2013). In October 2012 IFRS 10 was amended to provide a consolidation exception for investment entities. However, this does not affect the Group.

### ***IFRS 11 Joint Arrangements***

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

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Through its ownership in Gassled, the Group has interests in licenses on the Norwegian Continental Shelf. Under IFRS 11, a joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Because there is no joint control, none of the Group's licenses are deemed to be a joint arrangement under the definition in IFRS 11 and the Group recognizes its share of related expenses, assets, liabilities and cash flows on a line by line basis in the financial statements in accordance with applicable IFRSs. On this basis, it is therefore assessed that the application of this new standard not will impact the financial position of the Group.

### ***IFRS 12 Disclosure of Involvement with Other Entities***

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

### **Note 3 – Accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under current circumstances.

#### ***i. Critical accounting estimates and assumptions***

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

#### ***Income taxes***

The Group is mainly subject to income taxes under the Norwegian Petroleum Tax jurisdiction. Judgment is required in determining the provision for income taxes. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting of deferred income tax asset relies upon management's judgment of the Group's ability to generate future positive taxable income in respective jurisdictions.

#### ***Removal cost***

Estimating the costs of decommissioning/removal activities are challenging and relevant risks and uncertainties including potential changes to technology and regulations need to be considered. Most of the removal activities are expected to take place many years into the future and removal technology and cost are constantly changing. The estimates include assumptions of the probability that the Group will be required to remove various assets as well as required duration and rates for rigs, marine operations and heavy lift vessels that can

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vary considerably depending on the assumed removal complexity. As a result, estimating decommissioning obligations involves significant judgment.

The Group has based its estimated cost on budgets prepared by Gassco, the independent operator of Gassled. The discount rate is based on market quoted swap rates for each currency group and additionally includes an estimate for inflation and a risk premium. The estimate for inflation is based on management's best estimate. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the provisions in the period in which such determination is made. The removal obligations are reclaimable from the Shippers (ref. Note 2.7), and any potential changes to the provisions will therefore not impact the income statement.

### *Fair value of bond loans and derivative financial instruments*

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses FVTPL to account for its nominal bond loan series and related swap instruments. Due to the terms and structure of the derivatives and the bond loan, the measurement of fair value is complex, and requires substantial judgment.

The Group calculates the fair value of its FVTPL financial instruments by applying conventional bond and swap valuation techniques based on market quoted swap rates and management's best estimate of market expectations for future inflation. Changes in the combined fair values of the bonds and swaps are mainly impacted by changes in Norwegian interest rates and changes in expectations for future Norwegian consumer price inflation ('CPI'). The fair value of the nominal bond loan series may additionally be impacted by changes to assumed credit risk. In relation to the change in the Tariff Regulation as further outlined in the Board of Director's Report, Standard & Poor's lowered the rating of the Group's bonds by a total of five notches during the year. The increase in credit spread reduces the fair value of the bonds and impacted the financial results by a gain of NOK 366m for 2013. For 2012, none of the fair value change on the bonds is attributable to changes in credit risk. The estimated loss position of the swaps at inception is recognized as a financial asset which amortize linearly until maturity date.

### *ii. Critical judgments in applying the Group's policies*

Assumptions applied for the purpose of estimating the fair value of the Group's nominal bond loan series and related swaps include expectations for future Norwegian interest rate, credit spread and future CPI. For the swapped position of the Group, an increase in a) Norwegian interest rates will have a favorable impact on the Group's income statement and vice versa, b) credit spread will have a favorable impact on the Group's income statement and vice versa, and c) CPI will have an adverse impact on the Group's income statement and vice versa. For example (all other variables kept constant):

#### *a) If expectations for future Norwegian interest rates at 31 December 2013 had been:*

- 50bps higher, then profit before tax would have been NOK 118.1 million higher
- 50bps lower, then profit before tax would have been NOK 123.7 million lower

Management's estimate of change in credit spread as applied in relation to these financial statements is 175bps.

#### *b) If the change in credit spread at 31 December 2013 had been:*

- 25bps higher, then profit before tax would have been NOK 47.8 million higher
- 25bps lower, then profit before tax would have been NOK 48.8 million lower

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- 50bps higher, then profit before tax would have been NOK 94.5 million higher
- 50bps lower, then profit before tax would have been NOK 98.8 million lower

Management's estimate of CPI as applied in relation to these financial statements is 1.75%.

*c) If expectations for future CPI at 31 December 2013 had been:*

- 25bps higher, then profit before tax would have been NOK 57.4 million lower
- 25bps lower, then profit before tax would have been NOK 56.4 million higher
- 50bps higher, then profit before tax would have been NOK 115.8 million lower
- 50bps lower, then profit before tax would have been NOK 111.8 million higher

### Note 4 – Segment information

The Group operates within one business segment; namely its investment in gas the transportation infrastructure connected to the North Sea. The Group does therefore not separate its activities into different operating or geographical segments.

#### *Specification of major customers*

Approximately 68% (71%) of the Group's revenue was from a national oil company with investment grade credit rating. Estimated total revenue attributable to this customer during the year was NOK 1.3 billion (NOK 1.3 billion).

### Note 5 – Employee benefit expense

#### *Specification of employee benefit expense*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Payroll expense	7,101	7,381
Social security tax	1,070	1,103
Pensions	323	303
Other personnel expense	308	225
<b>Total employee benefit expense</b>	<b>8,803</b>	<b>9,012</b>
Total number of man-years (rounded)	6	6

#### *Pensions*

The Group has a defined contribution pension plan for its employees, which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

See information in Note 18 regarding remuneration of key management.

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### Note 6 – Other operating expense

#### *Specification of other operating expense*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Legal fees	16,270	1,845
Other consulting fees	10,536	6,254
Lease expenses and other office costs	598	675
IT expense	286	195
Other operating expense	1,108	1,798
<b>Total operating expense</b>	<b>28,799</b>	<b>10,767</b>

#### *Specification of auditor's fees*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Statutory audit	360	413
Other assurance services	0	0
Tax advisory services	152	649
Other advisory services	126	116
<b>Total auditor's fees (incl. VAT)</b>	<b>638</b>	<b>1,177</b>

### Note 7 – Finance income and expense

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Interest income	14,001	16,250
Net gain on derivative instruments (swaps)	44,230	0
Fair value gain on bond loans at FVTPL	157,990	0
Net currency translation effects	708	0
<b>Total finance income</b>	<b>216,929</b>	<b>16,250</b>
Interest expense	28,579	27,051
Net loss on derivative instruments (swaps)	0	241,049
Amortization of day 1 loss	25,343	11,450
Fair value loss on bond loans at FVTPL	0	97,079
Net realised loss on buyback of bond loans	2,819	1,827
Other financial expenses	4,267	325
<b>Total finance expense</b>	<b>61,008</b>	<b>378,780</b>
<b>Net financial income/(expense)</b>	<b>155,921</b>	<b>(362,530)</b>

The majority of the Group's revenues are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt exposure to its cash flows from operations (ref. Note 17), the Group has entered into three series of swap arrangements (ref. Note 11). Each series of swaps replicate perfectly the three nominal bond series so that the Group effectively has swapped all of its nominal bond positions into a NOK denominated inflation linked position.

The management expects that the concept of converting the three nominal bond series into a synthetic NOK denominated inflation linked position provides an effective hedging of the Group's overall cash flow position. However, the synthetic position creates an accounting exposure/mismatch that is distinct and separate from the underlying economic exposure of the Group and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

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Market expectations for swap rates reduced during 2012 which caused a net adverse impact on the Group's financial statements, although it does not reflect the underlying exposure of the Group's operations overall. During 2013, the net adverse effect of the swap rates reducing in the near term and increasing in the long term was more than offset by the impact of the change in credit spread as further described in Note 3. These effects are due to the FVTPL approach applied for the recognition of the bonds and swaps which requires the Group to value the financial instruments marked-to-market and thus recognizing the full unrealized change in fair value of the financial instruments in the income statement immediately. In reality however, those exposures are matched against the operating cash flows which will be recognized in the income statement as incurred.

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### Note 8 – Tax

#### Income taxes recognized in the income statement

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Tax payable	603,855	738,642
Tax payable, adjustment previous years	(29)	(42,821)
Change in deferred tax	345,556	103,333
<b>Total income tax expense recognized in the income statement</b>	<b>949,382</b>	<b>799,153</b>

#### Reconciliation of income tax

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
<b>Profit/(loss) before income tax</b>	<b>1,272,865</b>	<b>750,720</b>
Expected income tax at nominal tax rate (28%)	356,402	210,202
Expected petroleum tax (50%)	636,432	375,360
Permanent differences (1)	111,471	113,637
Financial items	(75,380)	173,428
Onshore items	(50,652)	(45,457)
Uplift	(20,722)	(21,972)
Changed tax rates	(8,141)	0
Change in valuation allowance and changes related to prior years	(29)	(6,043)
<b>Total income tax expense recognized in the income statement</b>	<b>949,382</b>	<b>799,153</b>

**Effective income tax rate** **74.6 %** **106.5 %**

(1) Permanent differences mainly relate to depreciation of property, plant and equipment recognized at acquisition of interest in Gassled (section 10 resolution).

#### Specification of tax effects on temporary differences, tax losses and uplift carried forward

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Property, plant and equipment	426,488	301,697
Loans and swap contracts	142,277	(77,253)
Asset retirement obligation	(1,359)	(1,434)
Tax losses carried forward	(14,530)	(15,691)
Total deferred tax liabilities/(assets)	552,876	207,320
Valuation allowance for deferred tax assets	0	0
<b>Total deferred tax liabilities/(assets) recognized</b>	<b>552,876</b>	<b>207,320</b>

Deferred tax is calculated based on tax rates applicable at balance sheet date. Ordinary income tax is 27% (2012: 28%), to which is added a special petroleum tax for oil and gas companies at the rate of 51% (2012: 50%), giving a total tax rate of 78%.

#### Tax payable

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Tax payable for year 2013	603,855	0
Tax paid for year 2013	(364,771)	0
Tax payable for year 2012	0	738,642
Tax paid for year 2012	0	(341,120)
Tax payable, adjustment previous years not yet assessed	32,945	25,892
<b>Total tax payable</b>	<b>272,030</b>	<b>423,414</b>

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### Note 9 – Property, plant and equipment

<i>NOK thousands</i>	Gas transportation and processing facilities	Buildings	Construction in progress	Other fixtures & equipment	Total
<b>Cost</b>					
<b>Cost at 1 January 2012</b>	<b>4,878,685</b>	<b>129,146</b>	<b>12,630</b>	<b>373</b>	<b>5,020,835</b>
Additions through acquisition	163,490	4,387	0	0	167,877
Additions since acquisition	12,630	0	(12,630)	0	0
Disposals	0	0	0	0	0
<b>Cost at 31 December 2012</b>	<b>5,054,805</b>	<b>133,533</b>	<b>0</b>	<b>373</b>	<b>5,188,712</b>
Additions	224,286	4,321	20,764	313	249,685
Transferred from construction in progress	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Cost at 31 December 2013</b>	<b>5,279,092</b>	<b>137,854</b>	<b>20,764</b>	<b>687</b>	<b>5,438,397</b>
<b>Depreciation and impairment</b>					
<b>Accumulated at 1 January 2012</b>	<b>(160,295)</b>	<b>(4,207)</b>	<b>0</b>	<b>(6)</b>	<b>(164,507)</b>
Depreciation for the year	(282,932)	(7,486)	0	(22)	(290,440)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated at 31 December 2012</b>	<b>(443,226)</b>	<b>(11,693)</b>	<b>0</b>	<b>(28)</b>	<b>(454,947)</b>
Depreciation for the year	(295,444)	(7,754)	0	(32)	(303,230)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated at 31 December 2013</b>	<b>(738,671)</b>	<b>(19,447)</b>	<b>0</b>	<b>(59)</b>	<b>(758,177)</b>
Carrying amount at 31 December 2012	4,611,579	121,839	0	346	4,733,764
<b>Carrying amount at 31 December 2013</b>	<b>4,540,421</b>	<b>118,406</b>	<b>20,764</b>	<b>627</b>	<b>4,680,219</b>
<b>Depreciation plan</b>	Linear	Linear	Linear	Linear	
<b>Estimated useful life (years)</b>	17.6 (1)	17.6 (1)	17.6 (1)	17.6 (1)	

(1) Depreciation over 17.6 years corresponds to the period from the acquisition of the interest in Gassled to the end of the current license period. Additions in 2013 is depreciated over 15.5 years.

#### **Impairment test**

As outlined in the Board of Director's Report, the recent amendment in the Tariff Regulation has reduced the Group's future income potential from the Gas transportation and processing facilities. On the basis of the new Tariff Regulation, the Group has tested its property, plant and equipment for impairment. The calculated recoverable amount is higher than the carrying amount and no impairment has therefore been recognized.

#### **Planned investments**

The figures in the table below are based on the Group's share of the investments in the four year plan of the Joint Venture. The amounts are based on estimated cost and time for non-discretionary projects and do not necessarily represent committed liabilities.

<i>NOK thousands</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Investments	167,952	159,916	44,118	0

**Note 10 – Assets retirement obligation and reimbursement**

Provisions have been made for estimated costs for abandonment of gas transportation assets and processing facilities. However, in line with underlying agreements, the majority of these expected future expenses are reimbursable by the users of the system; the Shippers. This is reflected in the financial statements by the recognized asset retirement reimbursement that corresponds to the recognized liabilities (to the extent applicable).

The majority of the recognized asset retirement obligations and reimbursements is expected to incur over the next 3 years. The current license period expires in 2028. However, the outlook for continued production of Norwegian gas far beyond 2028 is considered highly probable and the Group therefore allocates a low probability that it will become liable for the cost of abandonment upon depletion of Norwegian gas on the continental shelf under the existing license.

***Asset retirement reimbursement***

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Asset retirement reimbursement, non-current portion	75,293	124,997
Asset retirement reimbursement, current portion	66,466	71,576
<b>Total asset retirement reimbursement</b>	<b>141,759</b>	<b>196,573</b>

***Asset retirement obligation***

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Asset retirement obligation, non-current portion	75,293	124,997
Asset retirement obligation, non-reimbursable non-current portion (1)	1,742	1,838
<b>Total non-current asset retirement obligation</b>	<b>77,035</b>	<b>126,835</b>
Asset retirement obligation, current portion	66,466	71,576
<b>Total provision</b>	<b>143,500</b>	<b>198,411</b>

(1) The non-reimbursable portion of the provision is recognized as an asset cost (ref. Note 9)

***Changes in provision***

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
<b>Balance at 1 January</b>	<b>198,411</b>	<b>400,308</b>
Change in provision - reimbursable (1)	(54,814)	(202,052)
Change in provision - non-reimbursable	(183)	(44)
Unwinding of discount - non-reimbursable	87	199
<b>Balance at 31 December</b>	<b>143,500</b>	<b>198,411</b>

(1) As described above, changes in provision for reimbursable obligations are recognised as an adjustment to the asset retirement reimbursement.

**Note 11 – Other financial assets and liabilities**

As described in Note 7, the Group has entered into a series of swap arrangements that are matched perfectly to each nominal bond tranche (timing, payment structure, maturity) so that the Group effectively has exchanged its economic exposure to local currency denominated nominal debt service for NOK denominated inflation linked debt service. The following tables summarize the contracts and the carrying amounts:

**Summary of contracts**

<b>Bond loan/swap contracts</b>	<b>Group pays to swap providers</b>	<b>Group receives from swap providers</b>	<b>Maturity</b>
USD 265m nominal	NOK inflation linked interest and principal	USD nominal interest and principal	30 Sept. 2027
GBP 165m nominal*	NOK inflation linked interest and principal	GBP nominal interest and principal	30 Sept. 2027
NOK 550m nominal	NOK inflation linked interest and principal	NOK nominal interest and principal	30 Sept. 2027

\* GBP 28m of the total issued amount of GBP165m is held as treasury bonds following a buy back in 2013. The equivalent swap position was settled in 2013.

**Carrying amounts**

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Fair value on derivative financial instruments	76,001	(27,843)
Loss on derivative instruments at inception	142,584	167,928
Less current portion (a net liability)	92,090	65,351
<b>Other financial assets</b>	<b>310,675</b>	<b>205,436</b>

**Reconciliation of fair value measurement**

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
<b>Opening balance fair value derivative financial instruments</b>	<b>(27,843)</b>	<b>170,537</b>
Payments of principal amounts	72,400	51,579
Net receipt of interest payments	(14,287)	(8,910)
Loss on settlement	1,500	0
Gain/(loss) from fair value remeasurements recognised in income statement	44,230	(241,049)
<b>Ending balance fair value derivative instruments</b>	<b>76,001</b>	<b>(27,843)</b>

**The purposes of the swap arrangements**

*1) Reduce bond 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 USD and GBP versus NOK.

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

Through the Group's investment in Gassled, it receives an inflation adjusted revenue stream that is mainly NOK denominated. By entering into the swap arrangements, the Group has effectively exchanged its nominal bond debt liabilities for NOK denominated inflation linked debt service to match the underlying inflation linked NOK denominated cash flows from operations.

## Njord Gas Infrastructure Group

### *Loss of derivative instruments at inception*

The fair value of the swap contracts has been calculated by using valuation techniques that incorporate all factors that market participants would consider in setting a price. At initial recognition, the best estimate of a fair value gave rise to a loss at inception of NOK 186,056 thousands. Consistent with IAS 39, this loss was not recognized in the income statement at initial recognition. The loss at inception was capitalized, and is reflected in the income statement on a linear basis over the duration of the swaps. The portion of the loss at inception allocated to the GBP 28 million position which was settled during the year was expensed in 2013. The remaining balance of the loss recognized at inception was NOK 142,584 thousands (NOK 167,928 thousands) at balance sheet date.

The loss reflects credit charges from the swap counterparties and a limited market for such transactions.

### **Note 12 – Trade and other receivables**

#### *Specification of trade and other receivables*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Accrued income	171,339	164,265
Working capital, Joint Venture	62,431	72,264
Prepaid expenses	38,394	25,537
Other short term receivables	3,470	2,125
<b>Trade and other receivables</b>	<b>275,633</b>	<b>264,191</b>

The Group did not have any trade receivables in 2013 or 2012.

### **Note 13 – Cash and cash equivalents**

#### *Specification of cash and cash equivalents*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Bank deposits - NOK	415,307	827,468
Bank deposits - USD	1	2
Bank deposits - EUR	1	1,369
Bank deposits - GBP	6	13
<b>Cash and cash equivalents</b>	<b>415,314</b>	<b>828,853</b>

#### *Restricted cash included in the above*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Customary withholding tax in relation to employee benefits	447	728
Debt service requirements	196,575	197,579

All cash and cash equivalents are bank deposits. NOK 99 million of the bank deposits relate to a 12 month time-deposit which expires on 24 October 2014.

## Njord Gas Infrastructure Group

### Note 14 – Share capital

#### *Movements in share capital*

	Number of shares	Share capital (NOK thousands)
<b>Opening balance 1 January 2012</b>	<b>9,145,250</b>	<b>914,525</b>
Capital decrease in 2012 through reduction of nominal amount	0	(457,263)
<b>Ending balance at 31 December 2012</b>	<b>9,145,250</b>	<b>457,263</b>
Capital decrease in 2013 through reduction of nominal amount	0	(228,631)
<b>Ending balance at 31 December 2013</b>	<b>9,145,250</b>	<b>228,631</b>

The share capital is denominated in NOK, and the nominal value per share NOK 25 (NOK 50). All issued shares are of equal rights. No potential shares, such as share options, were issued as of 31 December 2013.

Net profit per share for the year was NOK 35.40 (loss of NOK 5.27).

#### *Shareholders as of 31 December 2013*

	Shares	Ownership
UBS International Infrastructure Fund Holding Coöperatie UA	7,499,105	82.0 %
CDC Infrastructure SA	1,646,145	18.0 %
<b>Total number of shares</b>	<b>9,145,250</b>	<b>100.0 %</b>

#### *Dividends paid and proposed*

Dividend of NOK 308,305,767 (nil) was paid during the year. Dividend of NOK 250,000,000 (NOK 27.34 per share) will be proposed for the ordinary general meeting in 2014. The proposed dividend is not recognized as a liability in the financial statements as at 31 December 2013.

#### *Fund for unrealized gains*

At balance sheet date, the fund for unrealized gains amounted to NOK 67,415,454 (nil).

### Note 15 – Shareholder loans and bond loans

To finance the acquisition of the interest in Gassled, the Group has entered into several loan agreements. The bond loans were issued on 9 June 2011 and are listed on the Oslo Stock Exchange. Interest is paid semi-annually in arrears. In August 2013, the Group bought back GBP 28 million of the GBP nominal bond loan. The bought back bonds are held as treasury bonds. The tables below summarize the contracts and the carrying amounts are provided in Note 17.

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### *Summary of contracts*

<b>Loan</b>	<b>Nominal amount remaining</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Category</b>
NOK real bond loan (1)	NOKm 290	4.3000%	30 Sept. 2027	Amortized cost
NOK nominal bond loan (2)	NOKm 550	6.1525%	30 Sept. 2027	FVTPL
GBP nominal bond loan (3)	GBPm 137	5.2410%	30 Sept. 2027	FVTPL
USD nominal bond loan (4)	USDm 265	5.1000%	30 Sept. 2027	FVTPL
NOK shareholder loans	NOKm 164	6.0000%	30 Sept. 2028	Amortized cost

(1) Series 1 - NOK Index Linked Bond Issue 2011/2027 - ISIN NO 001 060768.2

(2) Series 2 - NOK Senior Secured Bond Issue 2011/2027 - ISIN NO 001 060769.0

(3) Series 3 - GBP Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061111.4 (excluding treasury bonds)

(4) Series 4 - USD Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061112.2

### *Guarantee*

Njord Gas Infrastructure Holding AS, the parent company, has provided a guarantee for all of Njord Gas Infrastructure AS' obligations and liabilities under its loan arrangements. The guarantee consists of a pledge in the parent company's shares and assigned receivables in Njord Gas Infrastructure AS.

### *Assets pledged as security*

The Group has entered into market conventional security arrangements in relation to its lenders and swap providers on a first priority basis over its assets; inter alia its ownership share in Gassled and related insurances and receivables. The carrying amount of the secured assets were NOK 5.8 billion (NOK 6.2 billion) at balance sheet date.

### *Undrawn credit facilities*

The Group has available to it, subject to customary conditions precedent, a NOK 250 million revolving credit facility. The facility is subject to a floating interest charge and expires on 18 December 2017. No drawdown was made under the credit facility at balance sheet date.

## **Note 16 – Trade and other payables**

### *Specification of trade and other payables*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Working capital Joint Venture	96,382	90,211
Other accruals and provisions	292	3,258
VAT payable	9,146	9,146
Trade payables	1,677	205
Salary related provisions	1,523	1,900
<b>Total trade and other payables</b>	<b>109,019</b>	<b>104,720</b>

### *Terms and conditions for trade and other payables*

Trade payables are non-interest bearing and are normally settled on 30-day terms. All other payables are settled as they fall due.

**Note 17 – Financial instruments and risk management**

*Financial instruments by category*

*NOK thousands*

**Year ended 31 December 2013**

<b>Financial assets</b>	<b>Loans and receivables</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Derivative financial instruments (1)	0	261,746	<b>261,746</b>
Cash and cash equivalents	415,314	0	<b>415,314</b>
<b>Total</b>	<b>415,314</b>	<b>261,746</b>	<b>677,060</b>

(1) The capitalized loss at inception is included as part of the financial instrument (ref. Note 11)

<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Trade payables (1)	1,677	0	<b>1,677</b>
Bond loans (2)	303,078	3,340,533	<b>3,643,611</b>
Shareholder loans	166,188	0	<b>166,188</b>
Derivative financial instruments	0	43,161	<b>43,161</b>
<b>Total</b>	<b>470,943</b>	<b>3,383,694</b>	<b>3,854,637</b>

(1) Other payables are not included

(2) Three of the four bond loans are recognized at FVTPL (ref. Note 15)

**Year ended 31 December 2012**

<b>Financial assets</b>	<b>Loans and receivables</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Derivative financial instruments (1)	0	205,436	<b>205,436</b>
Trade receivables (2)	0	0	<b>0</b>
Cash and cash equivalents	828,853	0	<b>828,853</b>
<b>Total</b>	<b>828,853</b>	<b>205,436</b>	<b>1,034,288</b>

(1) The capitalized loss at inception is included as part of the financial instrument (ref. Note 11)

(2) Other receivables are not included

<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Trade payables (1)	205	0	<b>205</b>
Bond loans (2)	304,832	3,938,968	<b>4,243,799</b>
Shareholder loans	156,692	0	<b>156,692</b>
Derivative financial instruments	0	65,351	<b>65,351</b>
<b>Total</b>	<b>461,729</b>	<b>4,004,319</b>	<b>4,466,048</b>

(1) Other payables are not included

(2) Three of the four bond loans are recognized at FVTPL (ref. Note 15)

## Njord Gas Infrastructure Group

### *Fair value of financial instruments*

The fair value of financial instruments that is recognized at FVTPL in the financial statements is provided in the table "financial instruments by category" in the previous table. The carrying amounts of financial instruments recognized at amortized cost in the financial statements approximate their fair values except as detailed below.

<i>NOK thousands</i>	2013		2012	
	Carrying amount at amortized cost	Fair value	Carrying amount at amortized cost	Fair value
NOKm 300 real bond loan	303,078	294,008	304,832	327,842
Shareholder loans (1)	166,188	159,296	156,692	177,567

(1) Fair value calculations are provided under the assumption that no interest or principal will be paid until final maturity (ref. Note 15). However, the Group may choose to repay the loans in part or full at any time.

### *Fair value measurements*

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

<i>NOK thousands</i>		Level 1	Level 2	Level 3
<b>Assets</b>				
Derivative financial assets	31 December 2013	0	0	261,746
Derivative financial assets	31 December 2012	0	0	205,436
<b>Liabilities</b>				
Derivative financial liabilities	31 December 2013	0	0	43,161
Bond loans recognized at FVTPL	31 December 2013	0	3,340,533	0
Bond loans and shareholder loans (1)	31 December 2013	0	453,304	0
Derivative financial liabilities	31 December 2012	0	0	65,351
Bond loans recognized at FVTPL	31 December 2012	0	3,938,968	0
Bond loans and shareholder loans (1)	31 December 2012	0	505,409	0

(1) Fair value is calculated only for disclosure purpose, since these loans are recognised at amortized cost.

**Level 1** - Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** - Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3** - Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In relation to the Level 3 derivative financial asset/liability, see Note 11 for a reconciliation of changes in fair value during the year.

In relation to the Level 2 financial liability, a gain of NOK 157,990 thousand (a loss of NOK 97,079 thousand) was recognized during the year (ref. Note 7). With exception of the GBP 28 million bonds bought back and held as treasury bonds (ref. Note 15), the Group still holds this liability at balance sheet date.

### Financial risk management

#### *Overview*

The Group is exposed to a variety of risks from its use of financial instruments, including credit risk, liquidity risk, interest rate risk and currency risk. This note presents information about the Group's exposure to each of the above mentioned risks, and the Group's objectives, policies and processes for managing such risks. At the end of this note, information regarding the Group's capital management is provided.

#### *Market risk from financial instruments*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: market risk (e.g. interest rate risk and currency risk), commodity price risk and other price risk. The Group's financial assets and liabilities are mainly exposed to interest rate and currency risks.

#### *a) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest risk arises from long-term borrowings. Borrowings issued at variable rates expose it to cash flow risk. Borrowings issued at fixed rates expose it to fair value interest rate risk.

All of the Group's revenues are from its investment in the Joint Venture, the majority of which are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt service with its revenue base, the Group's policy is to maintain its borrowing exposures in NOK denominated inflation linked instruments. Three out of four of the Group's bond loan series are denominated in nominal NOK, GBP and USD (ref. Note 15). In order to reduce its cash flow risk, the Group has entered into three series of swap arrangements (ref. Note 11) that effectively swaps the nominal currency bond positions into NOK denominated inflation linked positions. Quantitative data on the sensitivities of the Group's net position is included in Note 3.

#### *b) Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is primarily exposed to foreign exchange risk arising from various currency exposures with respect to USD, EUR and GBP in relation to its debt obligations as well as from certain commercial transactions. As described above, the Group has entered into swap arrangements to hedge its currency exposures arising from its debt obligations (ref. Note 11).

For operational transactions denominated in foreign currencies, the Group's policy is to exchange into foreign currency as required on a spot basis.

#### *Accounting risk/mismatch*

The majority of the Group's revenues are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt exposure to its cash flows from operations (ref. Note 17), the Group has entered into three series of swap arrangements (ref. Note 11). Each series of swaps replicate perfectly the three nominal bond series so that the Group effectively has swapped all of its nominal bond positions into a NOK denominated inflation linked position.

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It is the management's expectation that the concept of converting the three nominal bond series into a synthetic NOK denominated inflation linked position provides an effective hedging of the Group's overall cash flow position. However, the synthetic position creates an accounting exposure/mismatch that is distinct and separate from the underlying economic exposure of the Group and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

Market expectations for swap rates reduced during 2012 which caused a net adverse impact on the Group's financial statements, although it does not reflect the underlying exposure of the Group's operations overall. During 2013, the net adverse effect of the swap rates reducing in the near term and increasing in the long term was more than offset by the impact of the change in credit spread as further described in Note 3. These effects are due to the FVTPL approach applied for the recognition of the bonds and swaps which requires the Group to value the financial instruments marked-to-market and thus recognizing the full unrealized change in fair value of the financial instruments in the income statement immediately. In reality however, those exposures are matched against the operating cash flows which will be recognized in the income statement as incurred.

### ***Credit risk***

The carrying amounts of financial assets represent the Group's maximum credit exposure. Except for derivative instruments and cash and cash equivalents, the Group is only exposed to credit risk related to receivables owned through the Joint Venture. Receivables owned through the Joint Venture are receivable from large, solid oil and gas companies. The counterparty to the cash and cash equivalents and the derivative instruments are large banks with solid credit ratings. The Group monitors the credit ratings of its main counterparties on an on-going basis.

### ***Capital management***

A key objective in relation to capital management is to ensure that the Group maintains a sufficient capital structure in order to support its business development and credit rating. The Group evaluates its capital structure in light of current and projected cash flows, potential new business opportunities and the Group's financial commitments. In order to maintain or adjust the capital structure, the Group may issue new shares or bonds or return capital to shareholders. At balance sheet date, the Group's equity ratio was 14.6% (13.3%).

The Group maintains and monitors its cash flow forecasting to ensure it has sufficient cash to meet operational needs and financial obligations. Such forecasting takes into consideration the Group's debt financing plans and compliance. The Group also has committed credit lines available to it (ref. Note 15). The Group's debt facilities are subject to customary covenant requirements. The Group has not been in breach of any such requirements during the year.

### ***Liquidity risk***

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its financial liabilities as they fall due, under normal as well as extraordinary circumstances, without incurring unacceptable losses or risking damage to the Group's reputation. Prudent liquidity risk management implies maintaining sufficient cash and the availability of appropriate funding.

## Njord Gas Infrastructure Group

### *Maturities of liabilities*

The following table details the contractual maturities for the Group's financial liabilities. The table includes amounts for both principal and interest payments. The contractual amounts were estimated based on an assumption of no inflation beyond confirmed adjustments and market exchange rates prevailing at balance sheet date. Estimate liabilities from derivative financial instruments (ref. Note 7 and 11) are presented on a net basis.

#### Per 31 December 2013

<i>NOK thousands</i>	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	(1,675)	0	0	0	(1,675)
Bond loans, interest and principal	(103,056)	(108,773)	(1,718,883)	(3,618,643)	(5,549,355)
Derivative financial instruments	(15,080)	(76,932)	(13,567)	655,909	550,330
Shareholder loans (1)	0	0	0	(313,265)	(313,265)
<b>Total liabilities</b>	<b>(119,811)</b>	<b>(185,705)</b>	<b>(1,732,450)</b>	<b>(3,275,999)</b>	<b>(5,313,965)</b>

(1) Calculations are provided under the assumption that no interest or principal will be paid until final maturity (ref. Note 15). However, the Group may choose to repay the loans in part or full at any time.

#### Per 31 December 2012

<i>NOK thousands</i>	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	(205)	0	0	0	(205)
Bond loans, interest and principal	(101,583)	(104,570)	(1,489,078)	(4,058,431)	(5,753,662)
Derivative financial instruments	(15,213)	(50,008)	(268,373)	(59,666)	(393,260)
Shareholder loans (1)	0	0	0	(304,766)	(304,766)
<b>Total liabilities</b>	<b>(117,001)</b>	<b>(154,579)</b>	<b>(1,757,452)</b>	<b>(4,422,863)</b>	<b>(6,451,894)</b>

(1) Calculations are provided under the assumption that no interest or principal will be paid until final maturity (ref. Note 15). However, the Group may choose to repay the loans in part or full at any time.

## Note 18 – Related party disclosure

### *Purchases from related parties*

*NOK thousands*

Related party	Year ended 31 December 2013	Year ended 31 December 2012
UBS International Infrastructure Fund Holding Coöperatie UA (1)	383	575
CDC Infrastructure SA (2)	194	0
Sandvold Energy AS (100% owned by the Chairman of the Board)	2,094	1,995

*Amounts above are exclusive of VAT and include refunds*

- (1) UBS Limited was one of two banks that were engaged by the Group to be joint lead arrangers on its bond offering in 2011 and is one of two counterparties to the Group's swap arrangements. UBS Limited is a group company to UBS International Infrastructure Fund Holding Coöperatie UA, who owns 82% of the share capital of the Holding Company. The purchases relate to rebilling of expenses incurred in relation to the management of Njord Gas Infrastructure AS.
- (2) CDC Infrastructure SA owns 18% of the share capital of the Holding Company. The purchases relate to rebilling of expenses incurred in relation to the management of Njord Gas Infrastructure AS.

## Njord Gas Infrastructure Group

### *Balances with related parties*

Information regarding loans from related parties is provided in Note 15 and 17. Information regarding swap arrangements with related parties is provided in Note 11 and 17. Information regarding other balances with related parties is provided in the following table:

*NOK thousands*

<b>Related party</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31 December 2013</b>	<b>31 December 2012</b>
UBS International Infrastructure Fund Holding Coöperatie UA - trade payables	130	0
Sandvold Energy AS (100% owned by the Chairman of the Board) - trade payables	213	0

### *Compensation to key management*

*NOK thousands*

#### **Year ended 31 December 2013**

<b>Position</b>	<b>Salary</b>	<b>Pension contribution</b>	<b>Other remuneration</b>	<b>Total 2013</b>
Chief Executive Officer (CEO)	1,978	73	27	<b>2,078</b>
Finance Director	1,682	74	28	<b>1,784</b>
Technical & HSE Director	1,328	34	33	<b>1,394</b>
<b>Total</b>	<b>4,988</b>	<b>181</b>	<b>87</b>	<b>5,257</b>

#### **Year ended 31 December 2012**

<b>Position</b>	<b>Salary</b>	<b>Pension contribution</b>	<b>Other remuneration</b>	<b>Total 2012</b>
Chief Executive Officer (CEO)	1,934	70	8	<b>2,012</b>
Finance Director	1,707	70	7	<b>1,784</b>
Technical & HSE Director	1,236	34	12	<b>1,282</b>
<b>Total</b>	<b>4,877</b>	<b>174</b>	<b>27</b>	<b>5,078</b>

### *Compensation to Board of Directors*

NOK 100 thousands (NOK 100 thousands) was recognized as remuneration of the Chairman for the year.

## **Note 19– Operating leases**

The Group's long term office rental agreement expired in October 2013. The Group is currently in the process of negotiating a revised long term office rental agreement with the lessor, but had no contractual future lease obligations as per 31 December 2013.

### *Operating expense related to lease agreements accounted for as operating leases*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Office rental	511	505
Other	63	44
<b>Total</b>	<b>573</b>	<b>549</b>

### *Future minimum lease payments under office lease*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Within 1 year	0	357
1 to 5 years	0	0
After 5 years	0	0
<b>Total</b>	<b>0</b>	<b>357</b>

## **Njord Gas Infrastructure Group**

### **Note 20– Capital commitments**

Information regarding the Group's share of planned investment in gas transportation and processing facilities is provided in Note 9.

### **Note 21 – Events after balance sheet date**

In response to the MPEs announcement of changes in the Tariff Regulation on 27 June 2013, Njord Gas Infrastructure AS filed a writ of summons to initiate legal proceedings against the MPE on 16 January 2014.

In the writ of summons, Njord Gas Infrastructure AS argues that the MPE's decision to reduce the Gassled tariffs does not have sufficient legal basis and must therefore be ruled invalid and also claims compensatory damages for the loss incurred as a result of the decision.

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## Njord Gas Infrastructure Holding AS

### Income statement

<i>NOK thousands</i>	Note	Year ended 31 December 2013	Year ended 31 December 2012
Operating income		0	0
<i>Operating expense</i>			
Employee benefit expense	3	(29)	(29)
Other operating expense	4	(268)	(290)
<b>Total operating expense</b>		<b>(296)</b>	<b>(318)</b>
<b>Operating income/(loss)</b>		<b>(296)</b>	<b>(318)</b>
<i>Financial income and expense</i>			
Finance income		238,783	0
Finance expense		(40)	(16)
<b>Net financial income/(expense)</b>		<b>238,744</b>	<b>(16)</b>
<b>Net income/(loss) before taxes</b>		<b>238,447</b>	<b>(334)</b>
Income tax credit/(expense)	5	84	94
<b>Net income/(loss) for the period</b>		<b>238,532</b>	<b>(241)</b>

# Njord Gas Infrastructure Holding AS

## Statement of financial position

<i>NOK thousands</i>	Note	As at 31 December 2013	As at 31 December 2012
<b>Assets</b>			
<i>Non-current assets</i>			
Deferred tax asset	5	265	181
Investments in subsidiaries	6	594,872	826,089
<b>Total non-current assets</b>		<b>595,137</b>	<b>826,270</b>
<i>Current assets</i>			
Dividend receivables		250,000	88,306
Cash and cash equivalents		96	2
<b>Total current assets</b>		<b>250,096</b>	<b>88,308</b>
<b>Total assets</b>		<b>845,232</b>	<b>914,578</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital	7/8	228,631	457,263
Other paid in capital	7/8	365,655	368,957
<b>Total paid in capital</b>		<b>594,286</b>	<b>826,219</b>
<i>Retained earnings</i>			
Other equity	7	0	(464)
<b>Total equity</b>		<b>594,286</b>	<b>825,755</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Loan from subsidiary	3	916	476
<b>Total non-current liabilities</b>		<b>916</b>	<b>476</b>
<i>Current liabilities</i>			
Dividend payable		250,000	88,306
Trade and other payables	9	30	41
<b>Total current liabilities</b>		<b>250,030</b>	<b>88,347</b>
<b>Total liabilities</b>		<b>250,946</b>	<b>88,823</b>
<b>Total equity and liabilities</b>		<b>845,232</b>	<b>914,578</b>

Stavanger, 28 April 2014

The Board of Directors of Njord Gas Infrastructure Holding AS



Tore I. Sandvold  
**Chairman**



Paul J. Moy  
**Director**



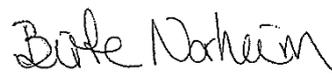
Mark A. Gilligan  
**Director**



Gautier M. J. F Chatelus  
**Director**



Hugo J. Kaempfer  
**Board Member**



Birte Norheim  
**CEO**

## Njord Gas Infrastructure Holding AS

### Statement of cash flow

<i>NOK thousands</i>	Note	Year ended 31 December 2013	Year ended 31 December 2012
<b><i>Cash flows from operating activities</i></b>			
Net income/(loss) before taxes		238,447	(334)
Dividends recognised as finance income, not received		(238,783)	0
Interest expenses and finance expenses not paid	3	40	16
Changes in trade and other payables	9	(11)	(37)
<b>Net cash flow used in operating activities</b>		<b>(307)</b>	<b>(355)</b>
<b><i>Cash flows from investing activities</i></b>			
Investment in subsidiary		0	0
Dividends received		308,306	0
Loan to subsidiary		0	0
<b>Net cash flow used in investing activities</b>		<b>308,306</b>	<b>0</b>
<b><i>Cash flows from financing activities</i></b>			
Loan from subsidiary		400	350
Dividends paid		(308,306)	0
Cash from paid in capital	3	0	0
<b>Net cash flow used in financing activities</b>		<b>(307,906)</b>	<b>350</b>
<b>Net change in cash and cash equivalents</b>		<b>93</b>	<b>(6)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2</b>	<b>8</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>96</b>	<b>2</b>
Interest paid		0	0

## **Notes to the accounts**

### **Note 1 – General information**

Njord Gas Infrastructure Holding AS' (the 'Holding Company') main business is long-term investment in gas infrastructure serving the Norwegian continental shelf. The Holding Company is a Norwegian private limited liability company headquartered in Stavanger, Norway. The Group's main activities are carried out through its Norwegian subsidiary, Njord Gas Infrastructure AS, which holds an 8.036% interest in Gassled, which owns the Norwegian gas transport infrastructure.

The financial statements were authorized for issue by the Board of Directors on 28 April 2014.

All amounts in the financial statements are stated in Norwegian Kroner ('NOK') thousands unless stated otherwise. Comparable figures from prior year are provided in brackets.

### **Note 2 - Summary of significant accounting principles**

#### **2.1 Basis for preparation**

The financial statements for Njord Gas Infrastructure Holding AS have been prepared in accordance with the provisions of the Norwegian Accounting Act and generally accepted accounting practices in Norway ("N-GAAP").

#### **2.2 Shares in subsidiaries**

Shares in subsidiaries are measured using the cost method of accounting in the parent company accounts. Investments are valued at the acquisition cost of the shares unless impairment losses have been made.

Shares in subsidiaries are impaired to fair value when a decrease in value is not considered to be temporary. Impairment losses are reversed when the reason for the impairment no longer applies.

Dividend from subsidiaries that represents distribution of retained earnings from its subsidiary is recognized as a finance income in the income statement. Dividends that represents distribution of capital previously paid-in by the subsidiary, is recognized as a reduction of its cost of investments in subsidiaries.

#### **2.3 Foreign currency**

The functional currency of the Holding Company is NOK. Monetary assets and liabilities denominated in other currencies are translated at exchange rates prevailing at balance sheet date. Foreign currency revenues and expenses are translated at exchange rates prevailing at transaction date. Realized and unrealized gains and losses resulting from foreign exchange are recognized in the income statement as incurred.

#### **2.4 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any transaction costs. After initial measurement, the assets are subsequently

## Njord Gas Infrastructure Holding AS

measured at amortized cost using the effective interest rate method (if the amortization effect is material), less any impairment losses.

### 2.5 Taxes

Income taxes for the period comprise tax payable and changes in deferred tax.

Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

### Note 3 – Related party disclosure

#### *Compensation to the Board of Directors*

NOK 25 thousands (NOK 25 thousands) was recognized as remuneration of the Chairman for the year.

The Holding Company does not have any employees.

#### *Loan from subsidiary*

The Holding Company has a loan from its subsidiary with an outstanding balance of NOK 916 thousands (NOK 476 thousands) at balance sheet date. The final repayment date on the loan is 30 September 2028.

During the year, the Holding Company received charges from its subsidiary of NOK 100 thousands (NOK 100 thousands) in relation to intercompany services.

### Note 4 – Remuneration of auditor

#### *Specification of remuneration to the auditor*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Statutory audit	20	19
Other advisory services	0	0
<b>Total auditor's fees incl. VAT</b>	<b>20</b>	<b>19</b>

## Njord Gas Infrastructure Holding AS

### Note 5 – Income tax expense

#### Income taxes recognized in the income statement

<i>NOK thousands</i>	2013	2012
Income tax credit	84	94
<b>Income tax credit/(expense)</b>	<b>84</b>	<b>94</b>

#### Reconciliation of income tax

<i>NOK thousands</i>	2013	2012
<b>Profit/(loss) before income taxes</b>	<b>238,447</b>	<b>(334)</b>
Expected income tax at nominal tax rate (28%)	(66,765)	94
Permanent differences	66,859	
Change in tax rate deferred tax	(10)	0
Change valuation allowance	0	0
<b>Total income tax credit/(expense) recognized in the income statement</b>	<b>84</b>	<b>94</b>

#### Temporary differences relate to the following items:

<i>NOK thousands</i>	2013	2012
Tax losses carried forward 27% (28%)	980	645
<b>Basis deferred tax asset</b>	<b>980</b>	<b>645</b>
Deferred tax asset not recognized	0	0
<b>Deferred tax asset recognized in balance sheet</b>	<b>265</b>	<b>181</b>

Capitalization of deferred income tax assets is subject to strict requirements in respect of the ability to substantiate that sufficient taxable profit will be available against which the unused tax losses can be utilized.

### Note 6 – Shares in subsidiaries

#### Shareholding in subsidiaries

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

#### Reconciliation of acquisition cost

<i>NOK thousands</i>	2013	2012
<b>Acquisition cost</b>	<b>914,395</b>	<b>914,395</b>
Dividend received (from paid in capital)	(319,523)	(88,306)
<b>Net value recognized in balance sheet</b>	<b>594,872</b>	<b>826,089</b>

#### Guarantee issued

The Holding Company has provided a guarantee for all of Njord Gas Infrastructure AS' obligations and liabilities under its loan arrangements. The guarantee consists of a pledge in the Holding Company's shareholding and assigned receivables in Njord Gas Infrastructure AS.

## Njord Gas Infrastructure Holding AS

### Note 7 – Reconciliation of equity

<i>NOK thousands</i>	Share capital	Other paid in capital	Other equity	Total equity
<b>Total equity as at 1 January 2012</b>	<b>914,525</b>	<b>0</b>	<b>(224)</b>	<b>914,301</b>
Reduction nominal value per share	(457,263)	457,263	0	0
Proposed dividend	0	(88,306)	0	(88,306)
Net loss for the year	0	0	(241)	(241)
<b>Total equity as at 31 December 2012</b>	<b>457,263</b>	<b>368,957</b>	<b>(464)</b>	<b>825,755</b>
<b>Total equity as at 1 January 2013</b>	<b>457,263</b>	<b>368,957</b>	<b>(464)</b>	<b>825,755</b>
Reduction nominal value per share	(228,631)	228,631	0	0
Additional dividend paid during 2013	0	(220,000)	0	(220,000)
Proposed dividend	0	(11,933)	(238,067)	(250,000)
Net income for the year	0	0	238,532	238,532
<b>Total equity as at 31 December 2013</b>	<b>228,631</b>	<b>365,655</b>	<b>0</b>	<b>594,286</b>

### Note 8 – Share capital

#### *Movements in share capital*

<i>NOK thousands</i>	Number of shares	Share capital
Issued as at 1 January 2012	9,145,250	914,525
Reduction of nominal value per share	0	(457,263)
<b>End balance at 31 December 2012</b>	<b>9,145,250</b>	<b>457,263</b>
Reduction of nominal value per share	0	(228,631)
<b>End balance at 31 December 2013</b>	<b>9,145,250</b>	<b>228,631</b>

The share capital is denominated in NOK and the nominal value per share is NOK 25 (NOK 50). All issued shares are of equal rights. No potential shares, such as share options, were issued as of 31 December 2013.

Net profit per share for the year was NOK 26.08 (loss of NOK 0.03).

#### *Shareholders as of 31 December 2013*

	Shares	Ownership
UBS International Infrastructure Fund Holding Coöperatie UA	7,499,105	82.0 %
CDC Infrastructure SA	1,646,145	18.0 %
<b>TOTAL</b>	<b>9,145,250</b>	<b>100.0 %</b>

#### *Dividends paid and proposed*

Dividend of NOK 308,305,767 (nil) was paid during the year. Dividend of NOK 250,000,000 will be proposed for the ordinary general meeting in 2014. The proposed dividend is recognized as a liability in the financial statements at balance sheet date.

## Njord Gas Infrastructure Holding AS

### Note 9 – Trade and other payables

#### *Specification of trade and other payables*

<i>NOK thousands</i>	<b>2013</b>	<b>2012</b>
Trade payables	1	0
Other accruals and provisions	29	41
<b>Total trade and other payables</b>	<b>30</b>	<b>41</b>

### Note 10 – Events after balance sheet date

In response to the MPEs announcement of changes in the Tariff Regulation on 27 June 2013, Njord Gas Infrastructure AS filed a writ of summons to initiate legal proceedings against the MPE on 16 January 2014.

In the writ of summons, Njord Gas Infrastructure AS argues that the MPE's decision to reduce the Gassled tariffs does not have sufficient legal basis and must therefore be ruled invalid and also claims compensatory damages for the loss incurred as a result of the decision.

**Responsibility statement**

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2013 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and income statement of the Holding Company and the consolidated Group.

We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Holding Company and the Group, together with a description of the principal risks and uncertainties facing Njord Gas Infrastructure Holding AS and the Group.

**Stavanger, 31 December 2013/28 April 2014**  
**The Board of Directors of Njord Gas Infrastructure Holding AS**



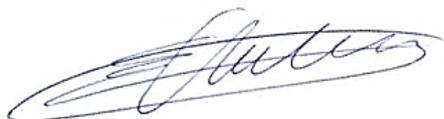
**Tore I. Sandvold**  
**Chairman**



**Paul J. Moy**  
**Director**



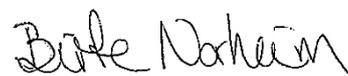
**Mark A. Gilligan**  
**Director**



**Gautier M. J. F Chatelus**  
**Director**



**Hugo J. Kaempfer**  
**Board Member**



**Birte Norheim**  
**CEO**

To the Annual Shareholders' Meeting of  
Njord Gas Infrastructure Holding AS

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Njord Gas Infrastructure Holding AS, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2013, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2013, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

*Opinion on the financial statements of the Parent Company*

In our opinion, the financial statements of Njord Gas Infrastructure Holding AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

*Opinion on the financial statements of the Group*

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**Report on other legal and regulatory requirements**

*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

*Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 28 April 2014

ERNST & YOUNG AS



Tor Inge Skjellevik

State Authorised Public Accountant (Norway)