



INTERIM FINANCIAL REPORT

FIRST HALF 2015

Njord Gas Infrastructure AS

Njord Gas Infrastructure AS

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**INTERIM FINANCIAL REPORT FIRST HALF OF 2015
FOR
NJORD GAS INFRASTRUCTURE AS
(‘the Company’ or – together with its parent – ‘the Group’)**

Main figures (*Comparable figures for equivalent period previous year in brackets*)

Operating revenue for the period amounted to NOK 992 million (NOK 1,022 million). Net operating income for the period amounted to NOK 603 million (NOK 629 million).

Net financial expense of NOK 11 million (NOK 229 million) mainly relates to cost associated to the Company’s bond issue and associated swaps.

The Company’s tax expense for the period was NOK 468 million (NOK 427 million). The effective tax rate for the period was 79% (107%).

Net income for the period amounted to NOK 124 million (net loss of NOK 27 million).

At balance sheet date, total assets amounted to NOK 6,533 million (NOK 5,924 million), of which the investment in the Gassled JV (‘Gassled’) amounted to NOK 4,577 million (NOK 4,648 million). Cash and cash equivalents amounted to NOK 535 million (NOK 468 million).

Net cash flow for the period was NOK 22 million (NOK 53 million). A detailed cash flow statement is included in the financial statements. The Company paid a dividend of NOK 150 million (NOK 250 million) to its parent company (the ‘Parent Company’) in the reporting period. The Company also paid net principal payments of NOK 75 million (NOK 26 million) to its swap providers and NOK 13 million (NOK 2 million) in nominal value of the NOK 300 million index linked tranche in accordance with the terms of the agreements.

Regulatory developments

On 27 June 2013, the Ministry of Petroleum and Energy (‘MPE’) announced changes in the Tariff Regulation (the ‘Amendment’) which reduces the future income basis for the Company significantly. The implications for the Company are not substantial in the short to medium term, but will increase over time as new bookings at lower tariffs start to account for a higher proportion of the revenue basis.

In response to the Amendment, the Company filed a writ of summons to initiate legal proceedings against the MPE on 16 January 2014. In the writ of summons, the Company argues that the MPE’s decision to reduce the Gassled tariffs does not have sufficient legal basis and must therefore be ruled invalid. The Company also claims compensatory damages for the loss incurred as a result of the decision. The hearing took place in Oslo City Court in April-June 2015. The verdict is expected in September/October 2015.

Outlook

With the exception of the ongoing tariff dispute, operation of the Company's main asset, the investment in Gassled, is running in line with expectations. Deliverability was 99.2% for the period and overall HSE results are good.

However, the Company'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 continue to require significant resources from the executive management and Board of Directors over the next 2-4 years. The Board of Directors views the Company'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 Company 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 Company other than those outlined in this report and in the Board of Directors' report for the year ended 31 December 2014.

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Income statement

<i>NOK thousands</i>	Note	Period ended 30 June 2015 (unaudited)	Period ended 30 June 2014 (unaudited)
Transportation and processing revenue		992,360	1,022,214
<i>Operating expense</i>			
Transportation and processing expense		(201,583)	(218,059)
Depreciation	4	(166,215)	(157,337)
Employee benefit expense		(3,850)	(5,634)
Other operating expense		(17,533)	(12,064)
Total operating expense		(389,181)	(393,094)
Net operating income/(loss)		603,179	629,120
Net financial income/(expense)	2	(10,710)	(229,483)
Net income/(loss) before taxes		592,469	399,637
Income tax (expense)/credit	6	(468,423)	(426,992)
Net income/(loss) for the period		124,046	(27,355)

Statement of comprehensive income

<i>NOK thousands</i>	Period ended 30 June 2015 (unaudited)	Period ended 30 June 2014 (unaudited)
Net income/(loss) for the period	124,046	(27,355)
Total comprehensive income/(loss)	124,046	(27,355)

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Statement of financial position

<i>NOK thousands</i>	Note	As at 30 June 2015 (unaudited)	As at 31 December 2014 (audited)
Assets			
<i>Non-current assets</i>			
Gas transportation and processing facilities	4	4,427,616	4,485,354
Buildings	4	110,198	113,250
Construction in progress	4	37,751	36,008
Other fixtures & equipment		747	776
Asset retirement reimbursement		8,920	11,302
Other financial assets	3	1,100,103	888,117
Loan to parent company	7	1,439	1,198
Total non-current assets		5,686,775	5,536,004
<i>Current assets</i>			
Asset retirement reimbursement, current portion		10,768	67,453
Trade and other receivables		300,191	299,507
Other financial assets, current portion	3	121,513	0
Cash and cash equivalents		535,398	513,773
Total current assets		967,870	880,733
Total assets		6,654,644	6,416,737
Equity and liabilities			
<i>Equity</i>			
Share capital		228,599	228,599
Other paid in capital		266,273	266,273
Retained earnings		206,349	232,303
Total equity		701,221	727,175
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Deferred tax liabilities	6	1,052,592	902,513
Shareholder loans	5	181,479	176,260
Bond loans	5	3,700,919	3,663,179
Asset retirement obligation		10,455	12,923
Total non-current liabilities		4,945,445	4,754,874
<i>Current liabilities</i>			
Asset retirement obligation, current portion		10,768	67,453
Current taxes	6	312,745	276,677
Other financial liabilities	3	0	10,226
Bond loans	5	558,807	422,033
Trade and other payables		125,658	158,299
Total current liabilities		1,007,978	934,688
Total liabilities		5,953,424	5,689,562
Total equity and liabilities		6,654,644	6,416,737

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Statement of cash flow

<i>NOK thousands</i>	Note	Period ended 30 June 2015 (unaudited)	Period ended 30 June 2014 (unaudited)
<i>Cash flows from operating activities</i>			
Net income/(loss) before taxes		592,469	399,637
Depreciation	4	166,215	157,337
Interest expenses and finance expenses not paid		7,154	9,921
Interest income not received		(41)	(27)
Foreign exchange and other gains and losses	2	(83,085)	132,284
Changes in trade and other receivables		(684)	(10,962)
Changes in trade and other payables		(32,612)	46,881
Changes in other long term receivables		110	(0)
Tax payments	6	(282,275)	(277,830)
Net cash flow from/(used in) operating activities		367,250	457,242
<i>Cash flows from investing activities</i>			
Investment in property plant and equipment	4	(107,365)	(125,792)
Net cash flow used in investing activities		(107,365)	(125,792)
<i>Cash flows from financing activities</i>			
Dividend payments		(150,000)	(250,000)
Payment of principal bond loans		(12,933)	(2,391)
Payment of principal on swap contracts	3	(75,128)	(25,865)
Loan to parent company	7	(200)	(161)
Net cash flow used in financing activities		(238,261)	(278,416)
Net change in cash and cash equivalents		21,623	53,034
Cash and cash equivalents at the beginning of the period		513,773	415,219
Cash and cash equivalents at the end of the period		535,398	468,252
Interest paid		(88,386)	(89,918)

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Statement of equity

<i>NOK thousands</i>	Nominal share capital	Other paid in capital	Retained earnings	Total equity
Total equity as at 1 January 2014	228,599	377,490	238,783	844,872
Total comprehensive income/(loss) for the year	0	0	(27,355)	(27,355)
Dividend	0	(11,217)	(238,783)	(250,000)
Total equity as at 30 June 2014	228,599	366,273	(27,355)	567,517

<i>NOK thousands</i>	Nominal share capital	Other paid in capital	Retained earnings	Total equity
Total equity as at 1 January 2015	228,599	266,273	232,303	727,175
Total comprehensive income/(loss) for the year	0	0	124,046	124,046
Dividend	0	0	(150,000)	(150,000)
Total equity as at 30 June 2015	228,599	266,273	206,349	701,221

Notes to the accounts

Note 1 – General accounting principles

The Company's main business is long-term investment in gas infrastructure serving the Norwegian continental shelf. The Company holds an 8.036% interest in Gassled, which owns the Norwegian gas transport infrastructure.

The Company is a Norwegian private limited liability company headquartered in Stavanger, Norway, wholly owned by Njord Gas Infrastructure Holding AS (the 'Holding Company').

These interim condensed financial statements for the six months period ended 30 June 2015 have been prepared in accordance with *IAS 34 - Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosure required in the annual financial statement and should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 December 2014.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's Annual Financial Statements for the year ended 31 December 2014. New and amended standards applicable for the period starting 1 January 2015 do currently not have any effect on the Company's financial statements.

All amounts in the interim financial statements are stated in Norwegian Kroner ('NOK') thousands unless stated otherwise. The interim financial statements are unaudited.

Note 2 – Financial income and expense

<i>NOK thousands</i>	Period ended 30 June 2015	Period ended 30 June 2014
Interest income	3,468	3,999
Net gain on derivative instruments (swaps)	306,407	34,676
Net currency translation effects	(252)	132
Total finance income	309,623	38,808
Interest expense	13,586	16,466
Amortization of day 1 loss	5,217	5,217
Fair value loss on bond loans at FVTPL	301,965	245,118
Other financial expenses	(435)	1,490
Total finance expense	320,333	268,291
Net financial income/(expense)	(10,710)	(229,483)

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The majority of the Company's revenues are NOK denominated and subject to annual inflation adjustments. In order to synchronize its debt exposure (ref. Note 5) to its cash flows from operations, the Company has entered into three series of swap arrangements (ref. Note 3). Each series of swaps replicate perfectly the three nominal bond series so that the Company 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 Company'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 Company and that would not arise for a conventional NOK denominated inflation linked bond position recognized at amortized cost.

During the first half of 2015 market expectations for future development in the Norwegian interest rates increased for the first reporting period since inception of the swaps. This benefits the Company's financial results for the reporting period by reversal of previous periods' losses and does not reflect the underlying exposure of the Company's operations overall. These effects are due to the *Fair Value Through Profit and Loss* approach ('FVTPL') applied for the recognition of the bonds and swaps which requires the Company to value the financial instruments marked-to-market. The full unrealized change in fair value of the financial instruments is thus recognized 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.

Critical judgments in measuring fair value

Assumptions applied for the purpose of estimating the fair value of the Company'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 Company, an increase in a) Norwegian interest rates will have a favorable impact on the Company's income statement and vice versa, b) credit spread will have a favorable impact on the Company's income statement and vice versa, and c) CPI will have an adverse impact on the Company's income statement and vice versa. For example (assuming all other variables kept constant):

a) If expectations for future Norwegian interest rates at 30 June 2015 had been:

- 50bps higher, then profit before tax would have been NOK 105.5 million higher
- 50bps lower, then profit before tax would have been NOK 110.2 million lower

Management's estimate of change in credit spread since inception as applied in relation to these financial statements is 325bps.

b) If the change in credit spread at 30 June 2015 had been:

- 25bps higher, then profit before tax would have been NOK 47.1 million higher
- 25bps lower, then profit before tax would have been NOK 48.0 million lower
- 50bps higher, then profit before tax would have been NOK 93.2 million higher

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- 50bps lower, then profit before tax would have been NOK 97.1 million lower

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

c) *If expectations for future CPI at 30 June 2015 had been:*

- 25bps higher, then profit before tax would have been NOK 50.6 million lower
- 25bps lower, then profit before tax would have been NOK 49.8 million higher
- 50bps higher, then profit before tax would have been NOK 102.0 million lower
- 50bps lower, then profit before tax would have been NOK 98.7 million higher

Note 3 – Other financial assets and liabilities

As described in Note 2, the Company has entered into a series of swap arrangements that are matched perfectly to each nominal bond tranche (timing, payment structure, maturity) so that the Company effective debt service exposure is NOK denominated inflation linked. The following tables summarize the contracts and the carrying amounts.

Summary of contracts

Bond loan/swap contracts	Company pays to swap providers	Company receives from swap providers	Maturity
USD 265m nominal	NOK inflation linked interest and principal	USD nominal interest and principal	30 Sept. 2027
GBP 165m nominal ¹⁾	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

1) *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 the same year.*

Carrying amounts

<i>NOK thousands</i>	As at 30 June 2015	As at 31 December 2014
Fair value on derivative financial instruments	1,094,681	745,740
Loss on derivative instruments at inception	126,935	132,151
Less current portion	(121,513)	10,226
Other financial assets	1,100,103	888,117

Reconciliation of fair value measurement

<i>NOK thousands</i>	As at 30 June 2015	As at 31 December 2014
Opening balance fair value derivative financial instruments	745,740	76,001
Payments of principal amounts	75,128	113,620
Net receipt of interest payments	(32,594)	(24,471)
Gain/(loss) from fair value remeasurements recognised in income statement	306,407	580,590
Ending balance fair value derivative instruments	1,094,682	745,740

The purposes of the swap arrangements

1) Reduce bond currency risk

After taking into account the swaps, the Company 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 Company's investment in Gassled, it receives an inflation adjusted revenue stream that is mainly NOK denominated. By entering into the swap arrangements, the Company has effectively exchanged its nominal bond debt liabilities (NOK nominal bond loan, USD nominal bond loan, GBP nominal bond loan) for NOK denominated inflation linked debt service to match the underlying inflation linked NOK denominated cash flows from operations.

Loss of derivative instruments at inception

The fair value of the swap contracts has been calculated by 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. The loss reflects credit charges from the swap counterparties and a limited market for such transactions. 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 remaining balance of the loss at inception was NOK 126,935 thousands at balance sheet date (NOK 132,151 thousands as at 31 December 2014).

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Note 4 – Property, plant and equipment

<i>NOK thousands</i>	Gas transportation and processing facilities	Buildings	Construction in progress	Other fixtures & equipment	Total
<i>Cost</i>					
Cost at 1 January 2014	5,279,092	137,854	20,764	687	5,438,397
Additions since acquisition	256,447	2,835	15,244	190	274,715
Disposals	0	0	0	0	0
Cost at 31 December 2014	5,535,539	140,689	36,008	877	5,713,112
Additions	104,373	1,012	1,743	13	107,141
Transferred from construction in progress	0	0	0	0	0
Disposals	0	0	0	0	0
Cost at 30 June 2015	5,639,911	141,701	37,751	890	5,820,253
<i>Depreciation and impairment</i>					
Accumulated at 1 January 2014	(738,671)	(19,447)	0	(59)	(758,177)
Depreciation for the year	(311,514)	(7,991)	0	(42)	(319,547)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated at 31 December 2014	(1,050,184)	(27,439)	0	(101)	(1,077,724)
Depreciation for the period	(162,111)	(4,063)	0	(40)	(166,215)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
Accumulated at 30 June 2015	(1,212,296)	(31,502)	0	(141)	(1,243,939)
Carrying amount at 31 December 2014	4,485,354	113,250	36,008	775	4,635,387
Carrying amount at 30 June 2015	4,427,616	110,198	37,751	747	4,576,314
Depreciation plan	Linear	Linear		Linear	
Estimated useful life (years)	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 2015 are depreciated over 13.5 years.

Impairment testing

As outlined in the Board of Directors report of these financial statements, there was an amendment in the Tariff Regulation last year which reduced the Company's future income potential from the *Gas transportation and processing facilities*. On the basis of the new Tariff Regulation, the Company latest tested its property, plant and equipment for impairment as at 31 December 2014. The calculated recoverable amount was higher than the carrying amount and no impairment was recognized in the period. There is no new information which should cause any amendment to this assessment as per 30 June 2015.

Note 5 – Shareholder loans and bond loans

To finance the acquisition of the interest in Gassled, the Company 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 August 2013, the Company bought back GBP 28 million of the GBP nominal bond loan. The acquired bonds are held as treasury bonds. The tables below summarize the contracts and the carrying amounts.

Summary of contracts

Loan	Nominal amount remaining	Interest rate	Maturity	Category
NOK real bond loan (1)	NOKm 273	4.3000%	30 Sept. 2027	Amortized cost
NOK nominal bond loan (2)	NOKm 549	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 169	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

Carrying amounts

NOK thousands

As at 31 December 2014

Financial liabilities	Amortized cost	Fair value through profit or loss	Total carrying amount
Bond loans	300,686	3,784,526	4,085,212
Shareholder loans	176,260	0	176,260
Total	476,946	3,784,526	4,261,472

As at 30 June 2015

Financial liabilities	Amortized cost	Fair value through profit or loss	Total carrying amount
Bond loans	295,009	3,964,717	4,259,726
Shareholder loans	181,479	0	181,479
Total	476,488	3,964,717	4,441,205

NOK 558,807 thousands of the carrying amount of bond loans was due within the next twelve months of balance sheet date and therefore classified as ‘current liabilities’ (NOK 422,033 thousands as at 31 December 2014).

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The Company did not make any repayments on shareholder loans in the reporting period (nil in the first half of 2014). The Company repaid principal of NOK 8,529 thousands, GBP 275 thousands and USD 442 thousands on bond loans in the reporting period (NOK 2,391 thousands in the first half of 2014).

Note 6 – Tax

Income taxes recognized in the income statement

<i>NOK thousands</i>	Period ended 30 June 2015	Period ended 31 December 2014
Tax payable	318,343	627,710
Tax payable, adjustment previous years	0	702
Change in deferred tax	150,079	349,373
Total income tax expense recognized in the income statement	468,423	977,786

Reconciliation of income tax

<i>NOK thousands</i>	Period ended 30 June 2015	Period ended 31 December 2014
Profit/(loss) before income tax	592,469	1,210,088
Expected income tax at nominal tax rate (27%)	159,967	326,724
Expected petroleum tax (51%)	302,159	617,145
Permanent differences (1)	56,196	112,891
Financial items	(4,536)	25,099
Onshore items	(33,942)	(81,116)
Uplift	(11,421)	(22,969)
Change in valuation allowance and changes related to prior years	0	11
Total income tax expense recognized in the income statement	468,423	977,786

Effective income tax rate **79.1 %** **80.8 %**

(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>	As at 30 June 2015	As at 31 December 2014
Property, plant and equipment	590,028	549,218
Loans and swap contracts	478,717	369,516
Asset retirement obligation	(1,197)	(1,264)
Tax losses carried forward	(14,956)	(14,956)
Total deferred tax liabilities/(assets)	1,052,592	902,513
Total deferred tax liabilities/(assets) recognized	1,052,592	902,513

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

Tax payable

<i>NOK thousands</i>	As at 30 June 2015	As at 31 December 2014
Tax payable for year 2014	627,710	627,710
Tax paid for year 2014	(666,254)	(383,979)
Tax payable for year 2015	318,343	0
Tax payable, adjustment previous years not yet assessed	32,945	32,945
Total tax payable	312,745	276,677

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Note 7 – Related party disclosure

Purchases from related parties

NOK thousands

Related party	Period ended 30 June 2015	Period ended 30 June 2014
UBS International Infrastructure Fund Holding Coöperatie UA (1)	75	84
CDC Infrastructure SA (1)	35	29
Sandvold Energy AS (100% owned by the Chairman of the Board)	1,342	1,068

(1) The purchases relate to rebilling of expenses incurred in relation to the management of the Company.

Other balances with related parties

NOK thousands

Related party	As at 30 June 2015	As at 31 December 2014
Trade payables		
UBS International Infrastructure Fund Holding Coöperatie UA	75	60
CDC Infrastructure SA	35	30
Sandvold Energy AS (100% owned by the Chairman of the Board)	20	210
Non-current assets		
Njord Gas Infrastructure Holding AS	1,439	1,198

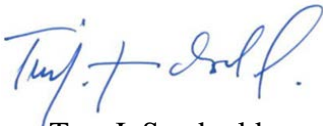
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Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 30 June 2015 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 Company.

We also confirm, to the best of our knowledge, that the interim financial report includes a true and fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, a description of the principal risks and uncertainties facing the Company and major related parties' transactions.

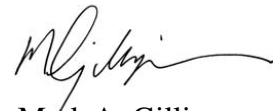
Stavanger, 30 June 2015/27 august 2015
The Board of Directors of Njord Gas Infrastructure AS



Tore I. Sandvold
Chairman



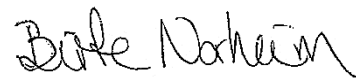
Paul J. Moy
Director



Mark A. Gilligan
Director



Gautier M. J. F Chatelus
Director



Birte Norheim
CEO