



## **CONSOLIDATED INTERIM FINANCIAL REPORT**

**FIRST HALF 2016**

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

## Njord Gas Infrastructure Holding AS and consolidated Group

### Njord Gas Infrastructure Group

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### Njord Gas Infrastructure Holding AS

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**CONSOLIDATED INTERIM FINANCIAL REPORT FIRST HALF OF 2016  
FOR  
NJORD GAS INFRASTRUCTURE HOLDING AS  
(‘the Holding Company’ or – together with its subsidiary – ‘the Group’)**

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

Operating revenue for the period amounted to NOK 1,074 million (NOK 992 million). Net operating income for the period amounted to NOK 669 million (NOK 603 million).

Net financial expense of NOK 436 million (NOK 11 million) mainly relates to cost associated to the Group’s bond issue and associated swaps.

The Group’s tax expense for the period was NOK 411 million (NOK 468 million). The effective tax rate for the period was 177% (79%) was higher than the corporate tax rate (25%) plus the petroleum tax rate (53%) of 78% mainly due to relatively more revenue than expense qualifying for the petroleum tax element as well as permanent differences relating to depreciation, partly offset by the uplift.

Net loss for the period amounted to NOK 179 million (net income of NOK 124 million).

At balance sheet date, total consolidated assets amounted to NOK 6,743 million (NOK 6,891 million), of which the investment in the Gassled JV (‘Gassled’) amounted to NOK 4,400 million (NOK 4,508 million). Cash and cash equivalents amounted to NOK 931 million (NOK 608 million).

Net consolidated cash flow for the period was NOK 324 million (NOK 22 million). A detailed cash flow statement is included in the financial statements. The Holding Company did not pay dividend (NOK 150 million) to its shareholders in the reporting period. The Group received net principal payments of NOK 6 million (paid net NOK 75 million) to its swap providers and paid NOK 103 million (NOK 13 million) on the bonds.

**Regulatory developments**

On 27 June 2013, the Ministry of Petroleum and Energy (‘MPE’) announced changes in the Tariff Regulation (the ‘Amendment’) which reduced 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 portion of the revenue basis.

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, 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 and claims compensatory damages for the loss incurred as a result of the decision.

## **Njord Gas Infrastructure Holding AS and consolidated Group**

The oral hearing took place in Oslo City Court April-June 2015. In September 2015, Oslo City Court announced its decision in favor of the MPE. The Group announced its decision to appeal the verdict in October 2015 and the appellate court proceedings is scheduled to commence in Borgarting Appellate Court in Q1-2017.

### **Financing**

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. 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. Following a buy back in 2013 GBP 28 million of bonds are held as treasury bonds.

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 in bonds in 2013, the equivalent swap position was settled.

The projected cash flow at the time of the Issue of the Bonds were based on, inter alia, certain forecasts as to volumes and tariffs. Following the Amendment, the profile of the debt service were no longer aligned with the forecast cash flow from operation and the bonds were downgraded by six notches from A- to BB-. While the Group forecasts that sufficient cash will be generated to service all debt, the Group forecasts a shortfall in cash from operations to debt service in 2021-2027.

On 16 June 2016, the Group announced a plan for re-profiling the outstanding bonds by extending the final maturity by one year to September 2028 and amend amortization schedules to align the debt service with forecast cash flows from operations. Notional outstanding and coupon rates were to remain unchanged. In order to retain the same hedge on foreign exchange and inflation, the Group entered into overlay swaps to match the bond amendments. By 16 June 2016, bondholders representing more than 2/3 in each of the bond tranches provided irrevocable undertakings to vote in favour of the proposal on the bondholder meetings on 1 July 2016. On 12 July 2016 S&P Global Ratings ('S&P') issued a research update where the Company's bond rating was increased by two notches from BB- to BB+.

### **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. Deliverability was 99.6% for the period and overall HSE results are good.

## **Njord Gas Infrastructure Holding AS and consolidated Group**

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 continue to require significant resources from the executive management and Board of Directors over the next 2-3 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 and in the Board of Directors' report for the year ended 31 December 2015.

**NJORD GAS INFRASTRUCTURE GROUP**

**Consolidated income statement**

<i>NOK thousands</i>	Note	Period ended 30 June 2016 (unaudited)	Period ended 30 June 2015 (unaudited)
<b>Transportation and processing revenue</b>		<b>1,073,992</b>	<b>992,360</b>
<b><i>Operating expense</i></b>			
Transportation and processing expense		(194,349)	(201,583)
Depreciation	4	(174,729)	(166,215)
Employee benefit expense		(5,382)	(3,914)
Other operating expense		(30,982)	(17,591)
<b>Total operating expense</b>		<b>(405,442)</b>	<b>(389,304)</b>
<b>Net operating income/(loss)</b>		<b>668,550</b>	<b>603,056</b>
<b>Net financial income/(expense)</b>	2	<b>(436,477)</b>	<b>(10,751)</b>
<b>Net income/(loss) before taxes</b>		<b>232,073</b>	<b>592,305</b>
Income tax (expense)/credit	6	(410,588)	(468,379)
<b>Net income/(loss) for the period</b>		<b>(178,515)</b>	<b>123,927</b>

**Consolidated statement of comprehensive income**

<i>NOK thousands</i>	Period ended 30 June 2016 (unaudited)	Period ended 30 June 2015 (unaudited)
Net income/(loss) for the period	(178,515)	123,927
<b>Total comprehensive income/(loss)</b>	<b>(178,515)</b>	<b>123,927</b>

## Njord Gas Infrastructure Holding AS and consolidated Group

### Consolidated statement of financial position

<i>NOK thousands</i>	Note	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
<b>Assets</b>			
<i>Non-current assets</i>			
Gas transportation and processing facilities	4	4,295,223	4,401,305
Buildings	4	102,424	106,251
Construction in progress	4	1,818	0
Other fixtures & equipment	4	714	717
Asset retirement reimbursement		7,286	2,883
Other financial assets	3	946,709	1,367,823
<b>Total non-current assets</b>		<b>5,354,173</b>	<b>5,878,979</b>
<i>Current assets</i>			
Asset retirement reimbursement, current portion		469	6,485
Trade and other receivables		277,887	268,428
Other financial assets, current portion	3	179,287	129,517
Cash and cash equivalents		931,436	607,828
<b>Total current assets</b>		<b>1,389,079</b>	<b>1,012,258</b>
<b>Total assets</b>		<b>6,743,252</b>	<b>6,891,237</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital		228,631	228,631
Other paid in capital		265,655	265,655
Retained earnings		106,221	284,736
<b>Total equity</b>		<b>600,507</b>	<b>779,023</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Deferred tax liabilities	6	971,052	1,120,790
Shareholder loans	5	192,501	186,943
Bond loans	5	3,319,005	3,837,439
Asset retirement obligation		9,551	4,518
<b>Total non-current liabilities</b>		<b>4,492,108</b>	<b>5,149,688</b>
<i>Current liabilities</i>			
Asset retirement obligation, current portion		469	6,485
Current taxes	6	597,313	277,604
Bond loans	5	931,590	590,948
Trade and other payables		121,265	87,489
<b>Total current liabilities</b>		<b>1,650,637</b>	<b>962,526</b>
<b>Total liabilities</b>		<b>6,142,745</b>	<b>6,112,214</b>
<b>Total equity and liabilities</b>		<b>6,743,252</b>	<b>6,891,237</b>

## Njord Gas Infrastructure Holding AS and consolidated Group

### Consolidated statement of cash flow

<i>NOK thousands</i>	Note	Period ended 30 June 2016 (unaudited)	Period ended 30 June 2015 (unaudited)
<b><i>Cash flows from operating activities</i></b>			
Net income/(loss) before taxes		232,073	592,305
Depreciation	4	174,729	166,215
Interest expenses and finance expenses not paid		7,579	7,154
Foreign exchange and other gains and losses		288,393	(83,085)
Changes in trade and other receivables		(9,460)	(684)
Changes in trade and other payables		33,804	(32,613)
Changes in other long term receivables		826	110
Tax payments	6	(240,617)	(282,275)
<b>Net cash flow from/(used in) operating activities</b>		<b>487,328</b>	<b>367,127</b>
<b><i>Cash flows from investing activities</i></b>			
Investment in property plant and equipment	4	(66,858)	(107,365)
<b>Net cash flow used in investing activities</b>		<b>(66,858)</b>	<b>(107,365)</b>
<b><i>Cash flows from financing activities</i></b>			
Dividend payments		0	(150,000)
Payment of principal bond loans	5	(102,901)	(12,933)
Repayment of principal on swap contracts	5	6,039	(75,128)
<b>Net cash flow used in financing activities</b>		<b>(96,862)</b>	<b>(238,061)</b>
<b>Net change in cash and cash equivalents</b>		<b>323,608</b>	<b>21,701</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>607,828</b>	<b>513,812</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>931,436</b>	<b>535,512</b>
Interest paid		(84,212)	(88,386)

## Njord Gas Infrastructure Holding AS and consolidated Group

### Consolidated statement of equity

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<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 2015	228 631	265 655	232 056	<b>726 342</b>
Total comprehensive income/(loss) for the year	0	0	123 927	<b>123 927</b>
Dividend	0	0	(150 000)	<b>(150 000)</b>
<b>Total equity as at 30 June 2015</b>	<b>228 631</b>	<b>265 655</b>	<b>205 983</b>	<b>700 269</b>

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<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 2016	228 631	265 655	284 736	<b>779 022</b>
Total comprehensive income/(loss) for the year	0	0	(178 515)	<b>(178 515)</b>
Dividend	0	0	0	0
<b>Total equity as at 30 June 2016</b>	<b>228 631</b>	<b>265 655</b>	<b>106 221</b>	<b>600 507</b>

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## **Notes to the consolidated accounts**

### **Note 1 – General accounting principles**

The Group's main business is long-term investment in gas infrastructure serving the Norwegian continental shelf. Njord Gas Infrastructure Holding AS (the 'Holding Company'), which is the parent company in the Njord Gas Infrastructure Group (the 'Group'), 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.

These interim condensed financial statements for the six months ended 30 June 2016 have been prepared in accordance with *IAS 34 - Interim Financial Reporting*. The interim condensed financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statement for the year ended 31 December 2015. New and amended standards applicable for the period starting 1 January 2016 do currently not have any effect on the Group'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>	<b>Period ended 30 June 2016</b>	<b>Period ended 30 June 2015</b>
Interest income	3,649	3,427
Net gain on derivative instruments (swaps)	0	306,407
<b>Total finance income</b>	<b>3,649</b>	<b>309,834</b>
Interest expense	13,650	13,586
Net loss on derivative instruments (swaps)	327,055	0
Amortization of day 1 loss	5,217	5,217
Fair value loss on bond loans at FVTPL	67,445	301,965
Net currency translation effects	2,515	252
Other financial expenses	24,245	(435)
<b>Total finance expense</b>	<b>440,126</b>	<b>320,585</b>
<b>Net financial income/(expense)</b>	<b>(436,477)</b>	<b>(10,751)</b>

## Njord Gas Infrastructure Holding AS and consolidated Group

The majority of the Group'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 Group 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 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.

During the first half of 2016 market expectations for future development in the Norwegian interest rates decreased further. This caused an adverse impact on the Group's financial results for the reporting period, although it 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 Group 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.

Following the successful completion of the re-profiling which resulted in a two notch uplift in S&P's rating on the Group's bonds from BB- to BB+, the credit spread was reduced by 50bps, which impacted the financial results by a FVTPL-loss of NOK 77m during first half of 2016. At balance sheet date, the accumulated gain related to changes in credit spread amounted to NOK 600m (NOK 677m).

### ***Critical judgments in measuring fair value***

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 (assuming all other variables kept constant):

*a) If expectations for future Norwegian interest rates at 30 June 2016 had been:*

- 50bps higher, then profit before tax would have been NOK 86.8 million higher
- 50bps lower, then profit before tax would have been NOK 90.6 million lower

## Njord Gas Infrastructure Holding AS and consolidated Group

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 2016 had been:*

- 25bps higher, then profit before tax would have been NOK 38.6 million higher
- 25bps lower, then profit before tax would have been NOK 39.4 million lower
- 50bps higher, then profit before tax would have been NOK 77.6 million higher
- 50bps lower, then profit before tax would have been NOK 79.6 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 2016 had been:*

- 25bps higher, then profit before tax would have been NOK 40.3 million lower
- 25bps lower, then profit before tax would have been NOK 39.7 million higher
- 50bps higher, then profit before tax would have been NOK 81.3 million lower
- 50bps lower, then profit before tax would have been NOK 78.7 million higher

### Note 3 – Other financial assets and liabilities

As described in Note 2, 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's effective debt service exposure is NOK denominated inflation linked. 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. 2028
GBP 165m nominal <sup>1)</sup>	NOK inflation linked interest and principal	GBP nominal interest and principal	30 Sept. 2028
NOK 550m nominal	NOK inflation linked interest and principal	NOK nominal interest and principal	30 Sept. 2028

*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.*

## Njord Gas Infrastructure Holding AS and consolidated Group

### *Carrying amounts*

<i>NOK thousands</i>	As at 30 June 2016	As at 31 December 2015
Fair value on derivative financial instruments	830,207	1,246,104
Loss on derivative instruments at inception	116,502	121,718
<b>Other financial non-current assets</b>	<b>946,709</b>	<b>1,367,823</b>
<i>NOK thousands</i>		
Current portion of financial instruments	179,287	129,517
<b>Other financial current assets/(liabilities)</b>	<b>179,287</b>	<b>129,517</b>

### *Reconciliation of fair value measurement*

<i>NOK thousands</i>	As at 30 June 2016	As at 31 December 2015
<b>Opening balance fair value derivative financial instruments</b>	<b>1,375,622</b>	<b>745,740</b>
Payments of principal amounts	(6,039)	44,688
Net receipt of interest payments	(33,033)	(72,494)
Gain/(loss) from fair value remeasurements recognised in income statement	(327,055)	657,688
<b>Ending balance fair value derivative instruments</b>	<b>1,009,494</b>	<b>1,375,622</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 (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 is not recognized in the income statement at initial recognition. The loss at inception is capitalized, and will be 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 116,502 thousands at balance sheet date (NOK 121,718 thousands as at 31 December 2015).

## **Njord Gas Infrastructure Holding AS and consolidated Group**

### ***Reprofiling of bonds***

On 16 June 2016, the Group announced a plan for re-profiling the outstanding bonds by extending the final maturity by one year to September 2028 and amend amortization schedules to align the debt service with forecast cash flows from operations. Notional outstanding and coupon rates were to remain unchanged. In order to retain the same hedge on foreign exchange and inflation, the Group entered into overlay swaps to match the bond amendments. By 16 June 2016, bondholders representing more than 2/3 in each of the bond tranches provided irrevocable undertakings to vote in favour of the proposal on the bondholder meetings on 1 July 2016. On 12 July 2016 S&P issued a research update where the Company's bond rating was increased by two notches from BB- to BB+.

## Njord Gas Infrastructure Holding AS and consolidated Group

### 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>					
<b>Cost at 1 January 2015</b>	<b>5,535,539</b>	<b>140,689</b>	<b>36,008</b>	<b>877</b>	<b>5,713,112</b>
Additions	209,390	1,133	0	21	<b>210,543</b>
Transferred from construction in progress	36,008	0	(36,008)	0	<b>0</b>
Disposals	0	0	0	0	<b>0</b>
<b>Cost at 31 December 2015</b>	<b>5,780,936</b>	<b>141,821</b>	<b>0</b>	<b>898</b>	<b>5,923,655</b>
Additions	64,503	264	1,818	48	<b>66,634</b>
Transferred from construction in progress	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	<b>0</b>
<b>Cost at 30 June 2016</b>	<b>5,845,439</b>	<b>142,085</b>	<b>1,818</b>	<b>946</b>	<b>5,990,289</b>
<i>Depreciation and impairment</i>					
<b>Accumulated at 1 January 2015</b>	<b>(1,050,184)</b>	<b>(27,438)</b>	<b>0</b>	<b>(102)</b>	<b>(1,077,724)</b>
Depreciation for the year	(329,446)	(8,131)	0	(80)	(337,656)
Impairment	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	<b>0</b>
<b>Accumulated at 31 December 2015</b>	<b>(1,379,629)</b>	<b>(35,569)</b>	<b>0</b>	<b>(181)</b>	<b>(1,415,380)</b>
Depreciation for the period	(170,586)	(4,092)	0	(52)	(174,729)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated at 30 June 2016</b>	<b>(1,550,215)</b>	<b>(39,661)</b>	<b>0</b>	<b>(233)</b>	<b>(1,590,109)</b>
Carrying amount at 31 December 2015	4,401,307	106,252	0	717	4,508,275
<b>Carrying amount at 30 June 2016</b>	<b>4,295,225</b>	<b>102,424</b>	<b>1,818</b>	<b>713</b>	<b>4,400,180</b>
Depreciation plan	Linear	Linear		Linear	
<b>Estimated useful life (years)</b>	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 2016 is depreciated over 12.5 years.

#### **Impairment testing**

As outlined in the Board of Directors report of these financial statements, an amendment in the Tariff Regulation was effectuated in 2013 which reduced the Group's future income potential from the *Gas transportation and processing facilities*. On the basis of the new Tariff Regulation, the Group latest tested its property, plant and equipment for impairment as at 31 December 2015. The calculated recoverable amount was higher than the carrying amount and no impairment was recognized in the period. There is no new information which would cause any change in this assessment as per 30 June 2016.

## Njord Gas Infrastructure Holding AS and consolidated Group

### Note 5 – 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 in June 2011 and are listed on the Oslo Stock Exchange. Interest is paid semi-annually. In August 2013, the Group 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

<b>Loan</b>	<b>Nominal amount remaining</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Category</b>
NOK real bond loan (1)	NOKm 248	4.3000%	30 Sept. 2028	Amortized cost
NOK nominal bond loan (2)	NOKm 510	6.1525%	30 Sept. 2028	FVTPL
GBP nominal bond loan (3)	GBPm 125	5.2410%	30 Sept. 2028	FVTPL
USD nominal bond loan (4)	USDm 246	5.1000%	30 Sept. 2028	FVTPL
NOK shareholder loans	NOKm 169	6.0000%	30 Sept. 2028	Amortized cost

(1) Series 1 - NOK Index Linked Bond Issue 2011/2028 - ISIN NO 001 060768.2

(2) Series 2 - NOK Senior Secured Bond Issue 2011/2028 - ISIN NO 001 060769.0

(3) Series 3 - GBP Senior Secured Bond Issue 2011/2028 - ISIN NO 001 061111.4 (excluding treasury bonds)

(4) Series 4 - USD Senior Secured Bond Issue 2011/2028 - ISIN NO 001 061112.2

#### Carrying amounts

NOK thousands

As at 30 June 2016

<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Bond loans	272,069	3,978,526	<b>4,250,595</b>
Shareholder loans	192,501	0	<b>192,501</b>
<b>Total</b>	<b>464,569</b>	<b>3,978,526</b>	<b>4,443,095</b>

As at 31 December 2015

<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Bond loans	281,118	4,147,268	<b>4,428,386</b>
Shareholder loans	186,943	0	<b>186,943</b>
<b>Total</b>	<b>468,061</b>	<b>4,147,268</b>	<b>4,615,329</b>

NOK 931,590 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 590,948 thousands as at 31 December 2015).

The Group did not make any repayments on shareholder loans in the reporting period (nil in the first half of 2015). The Group repaid principal of NOK 26,901 thousands, GBP 4,749

## **Njord Gas Infrastructure Holding AS and consolidated Group**

thousands and USD 7,628 thousands on bond loans in the reporting period (NOK 8,529 thousands, GBP 275 thousands and USD 442 thousands in the first half of 2015).

As at the date of this report, the bonds are rated BB+. The Company last reported DSCRs to the Nordic Trustee following the interest payment date on 31 March 2016. Reported DSCR was 2.15x and reported Forecast DSCR was 2.62x.

## Njord Gas Infrastructure Holding AS and consolidated Group

### Note 6 – Tax

#### Income taxes recognized in the income statement

<i>NOK thousands</i>	Period ended 30 June 2016	Period ended 31 December 2015
Tax payable	560 307	663 035
Tax payable, adjustment previous years	19	(47)
Change in deferred tax	(149 738)	218 633
<b>Total income tax expense recognized in the income statement</b>	<b>410 588</b>	<b>881 620</b>

#### Reconciliation of income tax

<i>NOK thousands</i>	Period ended 30 June 2016	Period ended 31 December 2015
<b>Profit/(loss) before income tax</b>	<b>232 073</b>	<b>1 084 301</b>
Expected income tax at nominal tax rate (27%)	58 018	292 761
Expected petroleum tax (51%)	122 999	552 993
Permanent differences (1)	56 105	112 750
Financial items	230 227	63 640
Onshore items	(44 889)	(64 999)
Uplift	(11 873)	(25 886)
Changed tax rates	0	(49 592)
Change in valuation allowance and changes related to prior years	1	(47)
<b>Total income tax expense recognized in the income statement</b>	<b>410 588</b>	<b>881 620</b>
<b>Effective income tax rate</b>	<b>176,9 %</b>	<b>81,3 %</b>

(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>	Period ended 30 June 2016	Period ended 31 December 2015
Property, plant and equipment	658 074	628 609
Loans and swap contracts	315 190	507 712
Asset retirement obligation	(1 766)	(1 275)
Tax losses carried forward	(445)	(14 255)
Total deferred tax liabilities/(assets)	971 052	1 120 790
Valuation allowance for deferred tax assets	0	0
<b>Total deferred tax liabilities/(assets) recognized</b>	<b>971 052</b>	<b>1 120 790</b>

Deferred tax is calculated based on tax rates applicable at balance sheet date. Ordinary income tax is 25% , to which is added a special petroleum tax for oil and gas companies at the rate of 53%, giving a total tax rate of 78%.

#### Tax payable

<i>NOK thousands</i>	Period ended 30 June 2016	Period ended 31 December 2015
Tax payable for year 2015	32 945	663 035
Tax paid for year 2015	663 054	(418 376)
Tax payable for year 2016	(658 993)	0
Tax payable, adjustment previous years not yet assessed	560 307	32 945
<b>Total tax payable</b>	<b>597 313</b>	<b>277 604</b>

## Njord Gas Infrastructure Holding AS and consolidated Group

### Note 7 – Related party disclosure

#### *Purchases from related parties*

<b>Related party</b>	<b>Period ended 30 June 2016</b>	<b>Period ended 30 June 2015</b>
UBS International Infrastructure Fund Holding Coöperatie UA (Shareholder)	465	75
CDC Infrastructure SA (Shareholder)	52	35
Sandvold Energy AS (100% owned by the Chairman of the Board)	1,361	1,342

(1) *The purchases relate to rebilling of expenses incurred in relation to management of Njord Gas Infrastructure AS.*

#### *Other balances with related parties*

*NOK thousands*

<b>Related party</b>	<b>Period ended 30 June 2016</b>	<b>Period ended 31 December 2015</b>
<b>Trade payables</b>		
Sandvold Energy AS (100% owned by the Chairman of the Board)	284	0

## Njord Gas Infrastructure Holding AS and consolidated Group

### NJORD GAS INFRASTRUCTURE HOLDING AS

#### Income statement

<i>NOK thousands</i>	Note	Period ended 30 June 2016 (unaudited)	Period ended 30 June 2015 (unaudited)
<b>Operating income</b>		<b>0</b>	<b>0</b>
<i>Operating expense</i>			
Employee benefit expense		(14)	(14)
Other operating expense	3	(87)	(108)
<b>Total operating expense</b>		<b>(102)</b>	<b>(122)</b>
<b>Operating income/(loss)</b>		<b>(102)</b>	<b>(122)</b>
<b>Net financial income/(expense)</b>		<b>(52)</b>	<b>(41)</b>
<b>Net income/(loss) before taxes</b>		<b>(153)</b>	<b>(163)</b>
Income tax (expense)/credit		38	44
<b>Net income/(loss) for the period</b>		<b>(115)</b>	<b>(119)</b>

## Njord Gas Infrastructure Holding AS and consolidated Group

### Statement of financial position

<i>NOK thousands</i>	Note	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
<b>Assets</b>			
<i>Non-current assets</i>			
Deferred tax asset		445	407
Investments in subsidiaries		577,175	577,175
<b>Total non-current assets</b>		<b>577,620</b>	<b>577,582</b>
<i>Current assets</i>			
Trade and other receivables		78	7
Cash and cash equivalents		79	155
<b>Total current assets</b>		<b>157</b>	<b>162</b>
<b>Total assets</b>		<b>577,777</b>	<b>577,743</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital		228,631	228,631
Other paid in capital		265,655	265,655
<b>Total paid in capital</b>		<b>494,286</b>	<b>494,286</b>
<i>Retained earnings</i>			
Other equity	2	81,683	81,798
<b>Total equity</b>		<b>575,970</b>	<b>576,084</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Loan from subsidiary		1,724	1,630
<b>Total non-current liabilities</b>		<b>1,724</b>	<b>1,630</b>
<i>Current liabilities</i>			
Trade and other payables		84	29
<b>Total current liabilities</b>		<b>84</b>	<b>29</b>
<b>Total liabilities</b>		<b>1,808</b>	<b>1,659</b>
<b>Total equity and liabilities</b>		<b>577,777</b>	<b>577,743</b>

## Njord Gas Infrastructure Holding AS and consolidated Group

### Statement of cash flow

<i>NOK thousands</i>	Note	Period ended 30 June 2016 (unaudited)	Period ended 30 June 2015 (unaudited)
<b><i>Cash flows from operating activities</i></b>			
Net income/(loss) before taxes		(153)	(163)
Interest expenses and finance expenses not paid		52	44
Changes in trade and other payables		(17)	(1)
<b>Net cash flow used in operating activities</b>		<b>(119)</b>	<b>(120)</b>
<b><i>Cash flows from investing activities</i></b>			
Dividends received		0	150 000
<b>Net cash flow used in investing activities</b>		<b>0</b>	<b>150 000</b>
<b><i>Cash flows from financing activities</i></b>			
Loan from subsidiary		43	197
Dividend paid to shareholders		0	(150 000)
<b>Net cash flow used in financing activities</b>		<b>43</b>	<b>(149 803)</b>
<b>Net change in cash and cash equivalents</b>		<b>(76)</b>	<b>76</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>155</b>	<b>38</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>79</b>	<b>115</b>
Interest paid		0	0

## **Notes to the accounts**

### **Note 1 – General accounting principles**

Njord Gas Infrastructure Holding AS (the “Holding Company”)’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 its Norwegian subsidiary, Njord Gas Infrastructure AS, which holds an 8.036% interest in Gassled, which owns the Norwegian gas transport infrastructure.

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

These interim condensed financial statements for the six months ended 30 June 2016 have been prepared in accordance with the provisions of the *Norwegian Accounting Act* and generally accepted accounting practices in Norway (‘N GAAP’). *NRS 11 Interim Reporting* provides guidelines regarding interim reporting.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2015. The report does not include all the information and disclosure required in the annual financial statement and should be read in conjunction with the Holding Company’s annual report for the year ended 31 December 2015.

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

### **Note 2 – Reconciliation of equity**

<i>NOK thousands</i>	<b>Share capital</b>	<b>Other paid in capital</b>	<b>Other equity</b>	<b>Total equity</b>
<b>Total equity as at 1 January 2015</b>	<b>228,631</b>	<b>265,655</b>	<b>82,056</b>	<b>576,342</b>
Net loss for the period	0	0	(119)	(119)
<b>Total equity as at 30 June 2015</b>	<b>228,631</b>	<b>265,655</b>	<b>81,937</b>	<b>576,223</b>
<b>Total equity as at 1 January 2016</b>	<b>228,631</b>	<b>265,655</b>	<b>81,798</b>	<b>576,084</b>
Net loss for the period	0	0	(115)	(115)
<b>Total equity as at 30 June 2016</b>	<b>228,631</b>	<b>265,655</b>	<b>81,683</b>	<b>575,969</b>

**Note 3 – Related party disclosure**

The Holding Company has a loan from its subsidiary with an outstanding balance of NOK 1,724 thousands at balance sheet date. (NOK 1,630 thousands as at 31 December 2015). The final repayment date on the loan is 30 September 2028.

The subsidiary charged the Holding Company NOK 50 thousands for administrative services, classified as *other operating expense*, in the first half of 2016 (NOK 50 thousands in the first half of 2015). There was no other purchase of goods or services from other related parties in the first six months of 2016 and 2015.

## Njord Gas Infrastructure Holding AS and consolidated Group

### Responsibility statement

We confirm, to the best of our knowledge, that the interim financial statements for the period 1 January to 30 June 2016 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, 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 Holding Company and the Group and major related parties transactions.

**Stavanger, 30 June 2016/26 august 2016**  
**The Board of Directors of Njord Gas Infrastructure Holding AS**



Tore I. Sandvold  
**Chairman**



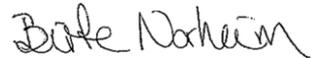
Paul J. Moy  
**Director**



Mark A. Gilligan  
**Director**



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



Birte Norheim  
**CEO**