



## **INTERIM FINANCIAL REPORT**

**FIRST HALF 2017**

**Njord Gas Infrastructure AS**

## Njord Gas Infrastructure AS

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**INTERIM FINANCIAL REPORT FIRST HALF OF 2017  
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 1,004 million (NOK 1,074 million). Net operating income for the period amounted to NOK 613 million (NOK 669 million).

Net financial expense of NOK 97 million (NOK 436 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 473 million (NOK 411 million). The effective tax rate for the period was 92% (177%) was higher than the corporate tax rate (24%) plus the petroleum tax rate (54%) 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 income for the period amounted to NOK 42 million (net loss of NOK 178 million).

At balance sheet date, total assets amounted to NOK 5,804 million (NOK 6,099 million), of which the investment in the Gassled JV (‘Gassled’) amounted to NOK 4,145 million (NOK 4,174 million). Cash and cash equivalents amounted to NOK 585 million (NOK 628 million).

Net cash flow for the period was negative NOK 43 million (positive NOK 324 million). A detailed cash flow statement is included in the financial statements. The Company paid NOK 50 million (NOK 0 million) in dividends to its parent company (the ‘Parent Company’) in the reporting period. The Company paid principal payments equivalent to NOK 266 million (NOK 103 million) to its bondholders during the period.

**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 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, 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 argued 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 Amendment.

In September 2015, Oslo City Court announced its decision in favor of the MPE. The Company appealed the verdict and the appellate court proceedings took place in Borgarting

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Appellate Court in January to April 2017. In June 2017, Borgarting Appellate Court announced its decision in favour of the MPE. The Company has until 16 September to decide whether or not to appeal this decision.

### **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 99.7% 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 years. 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 2016.

## Njord Gas Infrastructure AS

### Income statement

<i>NOK thousands</i>	Note	Period ended 30 June 2017 (unaudited)	Period ended 30 June 2016 (unaudited)
<b>Transportation and processing revenue</b>		<b>1,003,505</b>	<b>1,073,992</b>
<i>Operating expense</i>			
Transportation and processing expense		(186,159)	(194,349)
Depreciation	4	(178,881)	(174,729)
Employee benefit expense		(5,280)	(5,318)
Other operating expense		(20,681)	(30,944)
<b>Total operating expense</b>		<b>(391,001)</b>	<b>(405,340)</b>
<b>Net operating income/(loss)</b>		<b>612,504</b>	<b>668,652</b>
<b>Net financial income/(expense)</b>	2	<b>(97,352)</b>	<b>(436,426)</b>
<b>Net income/(loss) before taxes</b>		<b>515,152</b>	<b>232,226</b>
Income tax (expense)/credit	6	(472,672)	(410,627)
<b>Net income/(loss) for the period</b>		<b>42,481</b>	<b>(178,400)</b>
<i>NOK thousands</i>		Period ended 30 June 2017 (unaudited)	Period ended 30 June 2016 (unaudited)
Net income/(loss) for the period		42,481	(178,400)
<b>Total comprehensive income/(loss)</b>		<b>42,481</b>	<b>(178,400)</b>

## Njord Gas Infrastructure AS

### Statement of financial position

<i>NOK thousands</i>	Note	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)
<b>Assets</b>			
<i>Non-current assets</i>			
Gas transportation and processing facilities	4	4,034,638	4,173,599
Buildings	4	96,721	98,538
Construction in progress	4	13,373	6,488
Other fixtures & equipment		712	776
Asset retirement reimbursement		6,502	6,076
Other financial assets	3	697,058	782,912
Loan to parent company	7	123	1,818
<b>Total non-current assets</b>		<b>4,849,128</b>	<b>5,070,207</b>
<i>Current assets</i>			
Asset retirement reimbursement, current portion		238	634
Trade and other receivables		220,123	235,274
Other financial assets, current portion	3	149,896	165,589
Cash and cash equivalents		584,808	627,658
<b>Total current assets</b>		<b>955,066</b>	<b>1,029,155</b>
<b>Total assets</b>		<b>5,804,193</b>	<b>6,099,362</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Share capital		228,599	228,599
Other paid in capital		216,273	266,273
Retained earnings		6,684	(35,796)
<b>Total equity</b>		<b>451,556</b>	<b>459,076</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Deferred tax liabilities	6	923,420	924,033
Shareholder loans	5	204,158	198,288
Bond loans	5	2,872,755	3,134,226
Asset retirement obligation		8,319	8,014
<b>Total non-current liabilities</b>		<b>4,008,652</b>	<b>4,264,562</b>
<i>Current liabilities</i>			
Asset retirement obligation, current portion		238	634
Current taxes	6	622,854	600,475
Bond loans	5	669,552	691,511
Trade and other payables		51,340	83,104
<b>Total current liabilities</b>		<b>1,343,985</b>	<b>1,375,725</b>
<b>Total liabilities</b>		<b>5,352,637</b>	<b>5,640,287</b>
<b>Total equity and liabilities</b>		<b>5,804,193</b>	<b>6,099,362</b>

## Njord Gas Infrastructure AS

### Statement of cash flow

<i>NOK thousands</i>	Note	Period ended 30 June 2017 (unaudited)	Period ended 30 June 2016 (unaudited)
<b><i>Cash flows from operating activities</i></b>			
Net income/(loss) before taxes		515,152	232,226
Depreciation	4	178,881	174,729
Interest expenses and finance expenses not paid		10,299	7,579
Interest income not received		(33)	(52)
Foreign exchange and other gains and losses	2	16,601	288,393
Changes in trade and other receivables		17,073	(9,388)
Changes in trade and other payables		(31,764)	33,750
Changes in other long term receivables		(120)	826
Tax payments	6	(450,907)	(240,617)
<b>Net cash flow from operating activities</b>		<b>255,183</b>	<b>487,446</b>
<b><i>Cash flows from investing activities</i></b>			
Investment in property plant and equipment	4	(44,925)	(66,858)
<b>Net cash flow used in investing activities</b>		<b>(44,925)</b>	<b>(66,858)</b>
<b><i>Cash flows from financing activities</i></b>			
Dividend payments		(50,000)	0
Payment of principal on bond loans		(265,703)	(102,901)
Net received principal on swap contracts	3	62,790	6,039
Loan to parent company	7	(194)	(43)
<b>Net cash flow used in financing activities</b>		<b>(253,108)</b>	<b>(96,905)</b>
<b>Net change in cash and cash equivalents</b>		<b>(42,849)</b>	<b>323,684</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>627,658</b>	<b>607,674</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>584,808</b>	<b>931,357</b>
Interest paid		(72,423)	(84,212)

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### Statement of 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 2016	228,599	266,273	285,241	<b>780,113</b>
Total comprehensive income/(loss) for the year	0	0	(178,400)	<b>(178,400)</b>
Dividend	0	0	0	<b>0</b>
<b>Total equity as at 30 June 2016</b>	<b>228,599</b>	<b>266,273</b>	<b>106,841</b>	<b>601,713</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 2017	228,599	266,273	(35,796)	<b>459,076</b>
Total comprehensive income/(loss) for the year	0	0	42,481	<b>42,481</b>
Dividend	0	(50,000)	0	<b>(50,000)</b>
<b>Total equity as at 30 June 2017</b>	<b>228,599</b>	<b>216,273</b>	<b>6,685</b>	<b>451,557</b>



## **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 2017 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 2016.

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 2016. New and amended standards applicable for the period starting 1 January 2017 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>	<b>Period ended 30 June 2017</b>	<b>Period ended 30 June 2016</b>
Interest income	2,518	3,700
Net currency translation effects	453	0
<b>Total finance income</b>	<b>2,972</b>	<b>3,700</b>
Interest expense	15,569	13,650
Net loss on derivative instruments (swaps)	7,055	327,055
Amortization of day 1 loss	5,217	5,217
Fair value loss on bond loans at FVTPL	71,484	67,445
Net currency translation effects	0	2,515
Other financial expenses	999	24,245
<b>Total finance expense</b>	<b>100,323</b>	<b>440,126</b>
<b>Net financial income/(expense)</b>	<b>(97,352)</b>	<b>(436,426)</b>

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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 3) 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.

The Company calculates the fair value of its 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 and credit spread. Changes in the combined fair values of the bonds and swaps are mainly impacted by changes in Norwegian interest rates, changes in expectations for future Norwegian consumer price inflation ('CPI') as well as currency movements. The fair value of the nominal bond loan series may additionally be impacted by changes to assumed credit risk. 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.

During the first half of 2017 there were only marginal changes to the market expectations for future interest rates and also only marginal changes to the FX rates. The assumed credit risk was not changed during the first half of 2017.

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 Company's financial results in first half of 2016, although it does not reflect the underlying exposure of the Company's operations overall. Also, following the successful completion of the re-profiling in June 2016 which resulted in a two notch uplift in S&P's rating on the Company's bonds from BB- to BB+, the credit spread was reduced by 50bps, which also adversely impacted the financial results in first half of 2016.

### *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)

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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 2017 had been:*

- 50bps higher, then profit before tax would have been NOK 69.6 million higher
- 50bps lower, then profit before tax would have been NOK 72.5 million lower

Management's estimate of change in credit spread since inception as applied in relation to these financial statements is 275bps.

b) *If the change in credit spread at 30 June 2017 had been:*

- 50bps higher, then profit before tax would have been NOK 65.3 million higher
- 50bps lower, then profit before tax would have been NOK 67.8 million lower
- 100bps higher, then profit before tax would have been NOK 128.2 million higher
- 100bps lower, then profit before tax would have been NOK 138.3 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 2017 had been:*

- 25bps higher, then profit before tax would have been NOK 31.7 million lower
- 25bps lower, then profit before tax would have been NOK 31.2 million higher
- 50bps higher, then profit before tax would have been NOK 63.8 million lower
- 50bps lower, then profit before tax would have been NOK 62.0 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*

<b>Bond loan/swap contracts</b>	<b>Company pays to swap providers</b>	<b>Company 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.*

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### *Carrying amounts*

<i>NOK thousands</i>	As at 30 June 2017	As at 31 December 2016
Fair value on derivative financial instruments	590,989	671,627
Loss on derivative instruments at inception	106,069	111,285
<b>Other financial non-current assets</b>	<b>697,058</b>	<b>782,912</b>

<i>NOK thousands</i>		
Current portion of financial instruments	149,896	165,589
<b>Other financial current assets/(liabilities)</b>	<b>149,896</b>	<b>165,589</b>

### *Reconciliation of fair value measurement*

<i>NOK thousands</i>	As at 30 June 2017	As at 31 December 2016
<b>Opening balance fair value derivative financial instruments</b>	<b>837,217</b>	<b>1,375,622</b>
Payments/(receipts) of principal amounts	(62,790)	(52,767)
Net receipt of interest payments	(26,487)	(61,253)
Gain/(loss) from fair value remeasurements recognised in income statement	(7,054)	(424,385)
<b>Ending balance fair value derivative instruments</b>	<b>740,886</b>	<b>837,217</b>

### *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 106,069 thousands at balance sheet date (NOK 116,502 thousands as at 31 December 2016).

**Note 4 – 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 2016</b>	<b>5,780,936</b>	<b>141,821</b>	<b>0</b>	<b>898</b>	<b>5,923,655</b>
Additions	115,446	479	6,488	169	122,582
Transferred from construction in progress	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Cost at 31 December 2016</b>	<b>5,896,381</b>	<b>142,300</b>	<b>6,488</b>	<b>1,067</b>	<b>6,046,236</b>
Additions	35,700	2,339	6,885	(0)	44,925
Transferred from construction in progress	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Cost at 30 June 2017</b>	<b>5,932,081</b>	<b>144,639</b>	<b>13,373</b>	<b>1,067</b>	<b>6,091,161</b>
<b>Depreciation and impairment</b>					
<b>Accumulated at 1 January 2016</b>	<b>(1,379,629)</b>	<b>(35,569)</b>	<b>0</b>	<b>(181)</b>	<b>(1,415,380)</b>
Depreciation for the year	(343,152)	(8,192)	0	(110)	(351,455)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated at 31 December 2016</b>	<b>(1,722,781)</b>	<b>(43,762)</b>	<b>0</b>	<b>(291)</b>	<b>(1,766,835)</b>
Depreciation for the period	(174,662)	(4,157)	0	(62)	(178,881)
Impairment	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Accumulated at 30 June 2017</b>	<b>(1,897,443)</b>	<b>(47,919)</b>	<b>0</b>	<b>(353)</b>	<b>(1,945,716)</b>
Carrying amount at 31 December 2016	4,173,599	98,538	6,488	776	4,279,401
<b>Carrying amount at 30 June 2017</b>	<b>4,034,638</b>	<b>96,721</b>	<b>13,373</b>	<b>713</b>	<b>4,145,445</b>
<b>Depreciation plan</b>	Linear	Linear		Linear	
<b>Estimated useful life (years)</b>	17.6 (1)	17.6 (1)		17.6 (1)	

**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 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 2016. 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 change in this assessment as per 30 June 2017.

**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.

In 2016 the Company re-profiled 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 remained unchanged. In order to retain the same hedge on foreign exchange and inflation, the Company entered into overlay swaps to match the bond amendments.

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 202	4.3000%	30 Sept. 2028	Amortized cost
NOK nominal bond loan (2)	NOKm 423	6.1525%	30 Sept. 2028	FVTPL
GBP nominal bond loan (3)	GBPm 108	5.2410%	30 Sept. 2028	FVTPL
USD nominal bond loan (4)	USDm 200	5.1000%	30 Sept. 2028	FVTPL
NOK shareholder loans	NOKm 204	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 2017**

<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Bond loans	231,459	3,310,849	<b>3,542,308</b>
Shareholder loans	204,158	0	<b>204,158</b>
<b>Total</b>	<b>435,616</b>	<b>3,310,849</b>	<b>3,746,466</b>

**As at 31 December 2016**

<b>Financial liabilities</b>	<b>Amortized cost</b>	<b>Fair value through profit or loss</b>	<b>Total carrying amount</b>
Bond loans	244,197	3,581,540	<b>3,825,737</b>
Shareholder loans	198,288	0	<b>198,288</b>
<b>Total</b>	<b>442,485</b>	<b>3,581,540</b>	<b>4,024,025</b>

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NOK 669,552 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 691,511 thousands as at 31 December 2016).

The Company did not make any repayments on shareholder loans in the reporting period (nil in the first half of 2016). The Company repaid principal of NOK 48,534 thousands, GBP 6,565 thousands and USD 18,564 thousands on bond loans in the reporting period (NOK 26,901 thousands, GBP 4,749 thousands and USD 7,628 thousands in the first half of 2016).

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 2017. Reported DSCR was 1.40x and reported Forecast DSCR was 2.06x.

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### Note 6 – Tax

<i>NOK thousands</i>	<b>Period ended 30 June 2017</b>	<b>Period ended 31 December 2016</b>
Tax payable	473,285	1,018,437
Tax payable, adjustment previous years	0	19
Tax effect of group relief given	0	480
Change in deferred tax	(614)	(197,163)
<b>Total income tax expense recognized in the income statement</b>	<b>472,672</b>	<b>821,773</b>

#### Reconciliation of income tax

<i>NOK thousands</i>	<b>Period ended 30 June 2017</b>	<b>Period ended 31 December 2016</b>
<b>Profit/(loss) before income tax</b>	<b>515,152</b>	<b>602,177</b>
Expected income tax at nominal tax rate (24% in 2017, 25% in 2016)	123,637	150,544
Expected petroleum tax (54% in 2107, 53% in 2016)	278,182	319,154
Permanent differences (1)	56,057	112,472
Financial items	49,834	355,499
Onshore items	(25,190)	(74,733)
Uplift	(9,849)	(25,227)
Changed tax rates	0	-15,939
Change in valuation allowance and changes related to prior years	0	1
<b>Total income tax expense recognized in the income statement</b>	<b>472,672</b>	<b>821,773</b>
<b>Effective income tax rate</b>	<b>91.8 %</b>	<b>136.5 %</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>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
Property, plant and equipment	708,394	685,893
Loans and swap contracts	216,443	239,652
Asset retirement obligation	(1,418)	(1,512)
Total deferred tax liabilities/(assets)	923,420	924,033
<b>Total deferred tax liabilities/(assets) recognized</b>	<b>923,420</b>	<b>924,033</b>

Deferred tax is calculated based on tax rates applicable at balance sheet date. Ordinary income tax is 24%, to which is added a special petroleum tax for oil and gas companies at the rate of 54%, giving a total tax rate of 78%.

#### Tax payable

<i>NOK thousands</i>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
Tax payable for 2016	1,018,437	1,018,437
Tax paid for 2016	(901,813)	(450,907)
Tax payable for 2017	473,285	0
Tax payable, adjustment previous years not yet assessed	32,945	32,945
<b>Total tax payable</b>	<b>622,854</b>	<b>600,475</b>



## Njord Gas Infrastructure AS

### Note 7 – Related party disclosure

#### *Purchases from related parties*

*NOK thousands*

<b>Related party</b>	<b>Period ended 30 June 2017</b>	<b>Period ended 30 June 2016</b>
UBS International Infrastructure Fund Holding Coöperatie UA (1)	66	465
CDC Infrastructure SA (1)	16	52
Mark Gilligan (Board member until 30 June 2017)	399	0
Sandvold Energy AS (100% owned by the Chairman of the Board)	1,361	1,361

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

#### *Other balances with related parties*

*NOK thousands*

<b>Related party</b>	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>
<b>Trade payables</b>		
Sandvold Energy AS (100% owned by the Chairman of the Board)	284	0
Njord Gas Infrastructure Holding AS (group relief)	0	1,922
<b>Non-current assets</b>		
Njord Gas Infrastructure Holding AS	123	1,818

## Njord Gas Infrastructure AS

### Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 30 June 2017 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 2017/29 august 2017**  
**The Board of Directors of Njord Gas Infrastructure AS**



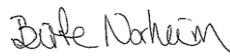
Tore I. Sandvold  
**Chairman**



Paul J. Moy  
**Director**



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



Birte Norheim  
**CEO**