

# Annual Report 2009



GASN  R

## Conversion factors

### Energy

From	To	Multiplied by
MJ	kWh	0,2778
toe	kWh	11630
BTU	kWh	$0,2931 \cdot 10^3$
kcal	kWh	0,001163
kWh	MJ	3,6
toe	MJ	41,868
BTU	MJ	0,001055
MJ	toe	$23,88 \cdot 10^{-6}$
kWh	toe	$86,0 \cdot 10^{-6}$
BTU	toe	$25,19 \cdot 10^{-6}$
kWh	kcal	860

### Pressure

bar	MPa	0,1
psi	MPa	0,006895
MPa	psi	145
bar	psi	14,5
MPa	bar	10
psi	bar	0,06897
atm	bar	1,013
bar	atm	0,987

## Typical energy data for various energy carriers

Natural gas (90-93% metan)	10,0 kWh/Sm <sup>3</sup>	13,0 kWh/kg
Propane (pure propane)		12,9 kWh/kg
Butane (pure butane)		12,7 kWh/kg
Light fuel oil	10,2 kWh/l	11,9 kWh/kg
Heavy fuel oil	11,0 kWh/l	11,3 kWh/kg
Coal		7,9 kWh/kg
Petrol	8,8 kWh/l	12,0 kWh/kg
Metanol	4,4 kWh/l	5,5 kWh/kg
Hydrogen	3,5 kWh/Nm <sup>3</sup>	39,7 kWh/kg
Wood (20% humidify)	2650 kWh/m <sup>3</sup>	4,1 kWh/kg

## Typical natural gas data

- Physical state in nature: gas phase
- Colour: Colourless
- Boiling point: -162°C
- Density during gas phase: 0.748 kg/m<sup>3</sup> (at 1 atm and 15°C)
- Density during liquid phase (LNG): 450 kg/m<sup>3</sup> (at 1 atm and -162°C)
- Net calorific value gas phase: 36,0 MJ/Sm<sup>3</sup> = 10,0kWh/Sm<sup>3</sup>
- Net calorific value: 13.0 kWh/kg
- Net calorific value during liquid phase (LNG): 5.8 kWh/litre
- 1 tonne LNG is equal to 1396 Sm<sup>3</sup>
- Self-ignition temperature: 540°C
- Explosion limits: 4.7-14.7% volume in air
- Natural gas is normally measured in standard cubic metres - Sm<sup>3</sup>

## • Emissions to air based on input power in stationary combustion facilities:

- CO<sub>2</sub>: 56 g/MJ = 202 g/kWh = 2.1 kg/Sm<sup>3</sup>
- NO<sub>x</sub>: 20 mg/MJ = 72 mg/kWh = 0.75 g/Sm<sup>3</sup>
- Dust/particles: 0 mg/ MJ



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# *LNG – the solution to more environmentally friendly shipping*

Every year, the shipping industry consumes 335 million tonnes of oil to freight goods and services. This results in CO<sub>2</sub> emissions that are equal to Germany's entire emissions of climate gases. A transition to the use of natural gas and LNG would reduce these emissions by more than all the CO<sub>2</sub> emitted in the Netherlands. If climate-neutral biogas were blended in, the environmental benefit of replacing oil as an energy carrier would increase proportionally to the percentage-amount of the added biogas.

Since 2004, Gasnor has delivered LNG as fuel for ships. The development of this market started when the passenger ferry MF Glutra came into operation in 2000. In 2009, Gasnor delivered LNG as fuel to 12 vessels. In 2012, Gasnor will be delivering LNG to a further eight vessels. An increased focusing on environmentally friendly shipping and green supply lines plus political requirements of the shipping industry will lead to an increase in the market for natural gas as energy carrier in the shipping industry in the years ahead.

Transport by ship is considered as very environmentally friendly compared to the alternatives. Nonetheless, new research indicates that the shipping traffic along the coast of Denmark causes emissions to air and health care costs that exceed the total emissions from cars, industry and power production in Denmark by 60%. This applies to Denmark only, but the total health care costs caused by the shipping traffic around Denmark amount to NOK 200bn according to calculations made by the Centre for Energy, Environment and Health (CEEH) (Denmark).

LNG as fuel for ships solves the problem of harmful emissions, and it seems clear that it is wrong to focus only on emissions of climate gases from combustion.

By using the correct technology, almost 100% of emissions of particles and soot will disappear. Furthermore, up to 90% of the nitrogen emissions would disappear. The last generation of gas engines are also more energy-efficient than diesel engines and are instrumental in lowering energy consumption and thus also emissions to air.

A transition to LNG by the local sea shipping industry operating near the densely populated areas of the North Sea and central parts of Europe would result in significant health benefits that can save taxpayers considerable expenses and problems. The simple fact that LNG would not have any harmful impact on the environment in the event of a shipwreck, as oil does, should also not be underrated.

Work is currently ongoing in several European countries to construct production facilities for liquid, climate-neutral biogas. Such gas would have exactly the same properties as natural gas and could be mixed with LNG to further improve climate properties. By blending in 30% biogas, emissions to air would be reduced by 50% compared to the present situation.

Utilisation of climate-neutral biogas in the shipping sector depends on the infrastructure and distribution system for natural gas in order to compete with established energy carriers. Without such a coordinated network, the price of biogas will be too high and objectives to use biogas will remain just a dream.



*Oil ...*

*or natural gas?*



# *Natural gas is the bridge to a society based on cleaner and renewable energy.*

*Both pure biogas and natural gas are methane.*

*The difference is in their ages.*

*Therefore, biogas and natural gas need the same technology and competencies for distribution and use.*

## Key figures

		2001	2002	2003	2004	2005	2006	2007	2008	2009
Gas deliveries	mill.Sm <sup>3</sup>	44,4	49,0	59,3	89,6	110,1	123,9	178,4	214,5	206,5
Operating result	NOK mill.	21,9	22,2	16,9	18,2	22,6	36,8	9,7	7,3	56,5
Pre-tax profit/loss on ord. activities	NOK mill.	23,0	23,8	14,6	5,6	7,2	20,2	-20,4	-13,9	62,8
Profit (loss) for the year	NOK mill.	16,5	17,0	10,6	2,2	4,7	14,0	-15,4	-13,8	44,5
Equity	NOK mill.	212,4	229,4	239,8	244,7	249,4	263,4	247,9	234,1	278,6
Total assets	NOK mill.	289,3	375,2	615,2	636,8	870,5	1080,1	1258,3	1301,1	1267,4
Equity ratio	(%)	73,4	61,1	39,0	38,4	28,6	24,4	19,7	18,0	22,0
Return on equity (after tax)	(%)	10,6	7,7	4,5	0,9	1,9	5,4	-6,0	-5,8	17,4
Return on total assets (before tax)	(%)	10,7	6,7	4,4	2,9	3,0	3,8	-1,7	-1,1	4,9
Result per share	(NOK)	13,2	13,6	8,5	1,9	4,1	12,1	-13,3	-11,9	38,5

The table includes total figures for Gasnor ASA and Natural Gas Vest AS, also prior to the merger as of 18 December 2004.

# Directors' report

*Gasnor is a gas distribution company with purchase, sale and distribution of gas as its main business. The registered office of Gasnor AS is located at Avaldsnes in Karmøy Municipality. Gasnor AS also has offices in Bergen and at Vinterbro in Akershus. Its operating organisation is located at Kollsnes.*

*Gasnor is Norway's foremost downstream natural gas company with its extensive gas pipe network, CNG distribution and LNG distribution from three separate production plants. Gasnor also owns 13 CNG trailers, 16 LNG trailers, 20 LNG terminals and has two LNG vessels at its disposal.*

*In 2009, Gasnor had profits of NOK 44.5 million after tax.*

## GAS DELIVERIES

Gasnor has made the following deliveries in 2009:

(Million Sm <sup>3</sup> )	2009	2008	Change in %
Gas distribution network (Haugalandet and Bergen)	51,7	55,5	-7
LNG deliveries (Kollsnes and Karmøy)	142,8	145,6	-2
CNG	6,1	7,9	-23
Own consumption	5,9	5,5	7
<b>TOTAL</b>	<b>206,5</b>	<b>214,5</b>	<b>-4</b>

The reduced volume of deliveries is mainly due to the reduced activity of some of our most important industrial customers. This situation has generally improved in that the growth in the Norwegian and international economy has recommenced, and these customers' demand for natural gas is again increasing.

## PERFORMANCE AND FINANCIAL ISSUES

Gasnor's turnover in 2009 fell by 7% to NOK 575 million. The accounts show a profit of NOK 44.5 million after tax, and NOK 62.8 million before tax. Pre-tax profit improved by NOK 76.7 million from 2008.

The improvement in performance from 2008 is mainly due to the following:

- Higher realisation gains of NOK 28.6 million on hedged positions (NOK 55.9 million in 2009 against NOK 27.3 million in 2008).
- Increased earnings on individual customer contracts that were negatively exposed to high oil prices in 2008. Contractual amendments have been made to reduce the exposure to a high oil price.
- Positive accrual effects between the date of gas procurement versus sales to customers. In the 4th quarter of 2009, contractual amendments were made on gas procurements in order to neutralise such accrual effects in the future.
- Contractual amendments relating to customers.

The accounts show an increase in equity ratio from 18.0% to 22.0%.

The financial statements have been prepared under the assumption of going concern.

## RISK

Gasnor has based its business on long-term contracts. This means that there will be a risk of loss of customers or changed

prices when contracts expire. There will also be a risk of reduced volumes related to lower activity in industrial enterprises using natural gas from Gasnor.

## Market risk

Total long-term liabilities are NOK 833 million. The entire debt is secured in fixed interest agreements. In 2009, a Covenant was included in the borrowing agreements in respect of working capital and earnings in relation to long-term liabilities. The company meets the requirements of the borrowing agreements.

Gasnor has a 7,500 m<sup>3</sup> LNG/LPG/ethylene combination vessel on a time charter contract. During the next few years, Gasnor will be utilising this vessel to a limited degree. In order to secure revenues, a pool agreement has been entered into. Monthly lease costs of the time charter agreement are fixed in Euro, whereas revenues from the pool are defined by the market and in USD. Consequently, the company is exposed to fluctuations in the freight market, which has not been hedged.

Other currency risk is related to investment projects. On major projects, currency is hedged when decisions are made.

Major fluctuations in energy prices related to electricity, propane and petroleum products may cause fluctuations in the company's performance.

The company has fixed procurement commitments related to gas. This may lead to the need to pay for non-received gas if sales do not materialise (take-or-pay).

## Liquidity risk

Cash in hand as of 31 December 2009 were NOK 88.8 million. The company also has cash credit facilities of NOK 40 million. A positive cash flow is expected in 2010 and in future forecasts. All investments planned by the company are fully financed.

## Credit risk

The company's most important customers are large industrial and transport companies. The credit risk is considered low. In previous years, the company has had minor losses related to bad debts.

### **ALLOCATION OF THE PROFIT FOR THE YEAR**

The board of directors proposes that the entire profit for the year of NOK 44,484,138 be transferred to other equity.

The company's distributable equity was NOK 94,265,322 at the turn of the year.

### **EQUAL OPPORTUNITY, HSE AND QUALITY ASSURANCE**

#### **Employees and equal opportunity**

At the end of 2009, Gasnor had 51 employees. This did not change during the year. Nine of these are women, one of which is a member of the company's management.

The company has made arrangements to ensure equal opportunity, including by providing flexible working hours for all employees who are not working shifts.

Gasnor is working actively to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and life stance. The company has also introduced new procedures for whistle-blowing and to avoid bullying and harassment.

#### **Health and the working environment**

Sickness absence in the company is 4.2% and there were no personal injuries in 2009. This, coupled with the information derived from the internal working environment investigation portrays a good working environment and an HSE effort of high standard.

#### **External environment**

The company is continuously endeavouring to improve its own environmental results within production and transport. Environmental accounts of activities at Kollsnes are submitted to the Climate and Pollution Agency each year. In total, the company contributes a net environmental gain to society through significant reductions of emissions of SO<sub>2</sub>, NO<sub>x</sub>, particles and CO<sub>2</sub> with stationary customers and in the transport sector (buses and ships) in that the customers transition from petroleum products to natural gas.

#### **Quality assurance**

The company has certified its quality assurance and environmental management system according to the ISO 9001 and ISO 14001 standards. A periodic audit was performed in 2009 without significant nonconformities being uncovered.

#### **Safety and emergency preparedness**

The company strives to achieve a high safety standard based on:

- technical safety of equipment, facilities and vehicles
- operational safety through procedures, routines and training in operations and maintenance
- procedures and training in handling of nonconformities and emergency preparedness routines

Training has been provided in emergency preparedness routines and exercises at production facilities, in the transport business, at terminal facilities and in cooperation with customers. The work has in part been conducted in collaboration with local industrial inspectorates and the local fire service.

There were no lost-time accidents among the company's own employees or employees of sub-contractors in 2009. Gasnor is making a continuous effort to improve safety. Reporting of near misses is given great emphasis.

#### **DEVELOPMENT ACTIVITIES**

Gasnor operates a continuous development program. This applies to technical solutions, concepts and applications of natural gas.

Gasnor has had two development projects approved in 2009 under the "SkatteFUNN" scheme.

#### **OUTLOOK**

##### **Gasnor's efforts on LNG**

Gasnor anticipates an increase in gas deliveries in the future on the basis of distribution of natural gas (LNG). The objective, through an international efforts, is to increase the company's sales volume.

Gasnor has little available capacity in its own production facilities for LNG. The plan is to achieve growth by purchasing LNG from LNG import terminals in Europe and transporting it to regional terminals for further distribution to Gasnor's customers.

Currently, Gasnor utilises pipelines, vehicles and ships to transport natural gas. Gasnor has Time Charter Agreements for Pioneer Knutsen of 1,100 m<sup>3</sup> and Coral Methane of 7,500 m<sup>3</sup>.

Did you know that the shipping traffic in Denmark incurs health care costs that are 60% greater than that incurred by all car traffic, industry and power plants combined?



Did you know that Gasnor is a world leader in small-scale production, distribution and sale of LNG, and that we intend to use our expertise to introduce biogas?



In June 2008, Gasnor entered into an agreement with Iberdrola to purchase LNG from the terminal at Huelva in Spain. Through this contract with the Spanish Iberdrola s.a., Gasnor has access to LNG beyond its own production capacity.

In 2009, Gasnor has formed a collaboration agreement with Göteborg Energi for the potential establishment of a joint company to deliver LNG to ships in Gothenburg harbour. The project is undergoing work both technically and from a market-related aspect for a potential establishment of an LNG terminal in Gothenburg. A decision on this investment is expected in the summer of 2011. Gasnor will also be able to utilise such an LNG terminal to supply LNG to new industrial customers in Sweden.

In the opinion of the board of directors, there is a potential for transition from oil and diesel to natural gas for sea transport along the Norwegian coast, in the North Sea and in the Baltic Sea. Building ferries, among other things, to be propelled by natural gas is a cost effective method of reducing emissions of nitrogen oxide.

#### Framework conditions

Over the past few years, there has been considerable uncertainty related to the framework conditions for natural gas in Norway. A CO<sub>2</sub> tax on natural gas for heating (NOK 0.51/Sm<sup>3</sup>) was adopted for the national budget for 2007, but has not yet been implemented due to lack of approval by ESA. In order to ensure that the adopted CO<sub>2</sub> tax on natural gas and LPG can be implemented, an energy tax on gas that exceeds the minimum rates of the EU Directive on energy tax was adopted for the 2010 national budget. This means an energy tax on gas for heating of NOK 0.05 /Sm<sup>3</sup> and an

energy tax on gas for other purposes of NOK 0.10/Sm<sup>3</sup>. The plan was to introduce the taxes on 1 April 2010, but this has been postponed due to the lack of approval by ESA. An exemption has been granted for utilisation in the process industry and transport between onshore and offshore facilities.

Any further taxes on the use of gas will be unfortunate for the competitiveness of natural gas and could result in a gradual return to ordinary fuel oil.

Gasnor intends to continue its work to create increased understanding in Norway for the advantages of natural gas, and still intends to act as a prime mover and to have a visible role in the development of supply solutions for natural gas in this country.


#### Gasnor's future prospects

Gasnor appears as a strong competitive unit with a good market position in the Norwegian market. The company's further objective is to utilise this knowledge basis to expand to other markets outside Norway.

In the longer run, Gasnor envisages a natural gas market that continues to grow in Norway and Sweden, and not least in the fuel market in Northern Europe. LNG as fuel for ships could become an important market for Gasnor during the years ahead.

The economic situation has improved and the board of directors views the company's future prospects with optimism.

Avaldsnes, 17 March 2010

  
Jofrid Tone Klokkehaug  
CHAIRMAN

  
Kurt Georgsen  
BOARD MEMBER

  
Aksel Skjervheim  
BOARD MEMBER

  
Runar Areklett  
BOARD MEMBER

  
Knut Roald Sæle  
BOARD MEMBER

  
Halvor Haukvik  
BOARD MEMBER

  
Raul-Christian Marc  
BOARD MEMBER

  
Mette Dagny Storstre  
BOARD MEMBER

  
Harald Børre Jacobsen  
BOARD MEMBER

  
Harald Egil Arnøy  
BOARD MEMBER

  
Eilef Stange  
MANAGING DIRECTOR

## *Profit and loss account*

1.1. - 31.12.

	Notes	2009	2008
Sales revenues	1	574 590 433	616 113 320
<b>Total revenues</b>		<b>574 590 433</b>	<b>616 113 320</b>
Cost of goods sold		228 949 945	368 260 403
Payroll expenses	3	43 956 700	41 225 316
Depreciation of tangible and intangible assets	4	64 884 594	64 089 713
Other operating expenses	3	180 318 697	135 217 216
<b>Total operating expenses</b>		<b>518 109 936</b>	<b>608 792 648</b>
<b>Operating result</b>		<b>56 480 497</b>	<b>7 320 672</b>
Income from investments in subsidiary companies	5	-79 681	182 220
Other interest income	1	1 769 813	10 357 124
Other financial income	1	59 877 823	38 136 078
Write-down of investments in associated company	5	0	-12 468 117
Other interest expenses		-53 381 413	-54 963 598
Other financial expenses		-1 865 620	-2 470 677
<b>Net financing</b>		<b>6 320 922</b>	<b>-21 226 970</b>
<b>Profit/loss (-) before tax on ordinary activities</b>		<b>62 801 419</b>	<b>-13 906 298</b>
Tax on profit on ordinary activities	8	-18 317 281	48 035
<b>Profit/loss on ordinary activities</b>		<b>44 484 138</b>	<b>-13 858 263</b>
<b>Profit/loss for the year</b>		<b>44 484 138</b>	<b>-13 858 263</b>
<b>Allocation of profit/settlement of loss for the year</b>			
Other reserves		44 484 138	-13 858 263
<b>Total allocations</b>		<b>44 484 138</b>	<b>-13 858 263</b>

*Did you know that it is soot that destroys the ice in the northern region? It is also important to reduce CO<sub>2</sub>, but the effect is too slow to save the ice. Natural gas causes no soot emissions.*

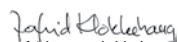
## Balance sheet

	Notes	31.12.2009	31.12.2008
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Goodwill	4	5 933 585	7 142 866
<b>Total intangible fixed assets</b>		<b>5 933 585</b>	<b>7 142 866</b>
<hr/>			
Plant under construction	4/10	60 481 910	78 628 247
Land	4/10	23 759 237	22 917 298
Building	4/10	330 685	361 834
Gas distribution facility	4/10	936 205 961	937 622 661
Machinery and equipment	4/10	16 485 690	21 195 647
<b>Total tangible fixed assets</b>		<b>1 037 263 482</b>	<b>1 060 725 686</b>
<hr/>			
<b>Financial assets</b>			
Investments in subsidiaries/associated company	5	2 377 814	3 313 035
Investments in shares and units	6	83 251	3 410 582
<b>Total financial asset</b>		<b>2 461 065</b>	<b>6 723 617</b>
<hr/>			
<b>Total asset</b>		<b>1 045 658 132</b>	<b>1 074 592 169</b>
<hr/>			
<b>Current assets</b>			
Stock	2	16 661 419	15 153 507
<hr/>			
<b>Receivables</b>			
Accounts receivables	10	76 629 093	126 507 324
Other current receivables		39 633 294	10 565 105
<b>Total receivables</b>		<b>116 262 387</b>	<b>137 072 429</b>
<hr/>			
Cash at bank and in hand, etc.	12	88 842 555	74 267 761
<b>Total current assets</b>		<b>221 766 361</b>	<b>226 493 697</b>
<hr/>			
<b>Total assets</b>		<b>1 267 424 493</b>	<b>1 301 085 866</b>
<hr/>			

## Balance sheet

	Notes	31.12.2009	31.12.2008
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	9	57 726 500	57 726 500
Share premium reserve	12	120 681 100	120 681 100
<b>Total restricted equity</b>		<b>178 407 600</b>	<b>178 407 600</b>
<b>Earned equity</b>			
Other equity	9	100 198 907	55 714 769
<b>Total earned equity</b>		<b>100 198 907</b>	<b>55 714 769</b>
<b>Total equity</b>		<b>278 606 507</b>	<b>234 122 369</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Pension commitments	3	3 234 524	2 055 560
Deferred tax	8	20 621 725	2 304 444
<b>Total provisions</b>		<b>23 856 248</b>	<b>4 360 003</b>
<b>Other long-term liabilities</b>			
Debt to credit institutions	7/10/14	786 674 181	791 907 578
Other long-term liabilities	7/10/14	46 758 177	52 911 303
<b>Total other long-term liabilities</b>		<b>833 432 358</b>	<b>844 818 881</b>
<b>Current liabilities</b>			
Accounts payable		72 977 920	111 623 267
Tax payable	8	0	0
Duties payable		6 955 014	11 070 823
Other current liabilities		51 596 447	95 090 522
<b>Total current liabilities</b>		<b>131 529 380</b>	<b>217 784 612</b>
<b>Total liabilities</b>		<b>988 817 986</b>	<b>1 066 963 497</b>
<b>Total equity and liabilities</b>		<b>1 267 424 493</b>	<b>1 301 085 866</b>

Avaldsnes, 17 March 2010

  
Jofrid Tone Klokkehaug  
CHAIRMAN

  
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Mette Dagny Storvestre  
BOARD MEMBER

  
Harald Børre Jacobsen  
BOARD MEMBER

  
Harald Egil Arnøy  
BOARD MEMBER

  
Eilef Stange  
MANAGING DIRECTOR

## Cash flow statement

	Notes	2009	2008
<b>Cash flows from operating activities</b>			
Pre-tax profit/loss		62 801 419	-13 858 263
Ordinary depreciations	4	64 884 594	64 089 713
Write-downs of fixed assets	5	0	12 468 117
Changes in inventories, acc. receivable and acc. payable	11	-19 343 217	-14 574 347
Changes in pension scheme assets / commitments	3	1 178 964	2 055 560
Result by applying the gross and equity methods	5	0	182 220
Changes in other accruals		-54 169 752	14 906 086
<b>Net cash flow from operating activities</b>		<b>55 352 008</b>	<b>65 269 086</b>
<b>Cash flows from investment activities</b>			
Investment in tangible fixed assets	4	-33 382 633	-13 486 869
Investment in other shares / interests	5	0	-775 570
<b>Net cash flow from investment activities</b>		<b>-33 382 633</b>	<b>-14 262 439</b>
<b>Cash flow from funding activities</b>			
Payment from establishment of new long-term debt	7	43 000 000	33 733 522
Payments to reduce long-term debt	7	-54 386 525	-35 409 390
Payments to reduce short-term debt	7	0	-15 879 646
<b>Net cash flow from funding activities</b>		<b>-11 386 525</b>	<b>-17 555 514</b>
Changes in foreign currency, cash and cash equivalents	1	3 991 944	9 757 570
<b>Net change in cash and cash equivalents</b>		<b>14 574 794</b>	<b>43 208 703</b>
Cash and cash equivalents as of 01.01	1	74 267 761	31 059 058
<b>Cash and cash equivalents as of 31.12</b>	<b>1, 12</b>	<b>88 842 555</b>	<b>74 267 761</b>

## Notes

The annual accounts of Gasnor AS consist of the following parts:

- Profit and Loss Account
- Balance Sheet
- Cash Flow Statement
- Notes

The annual accounts, which have been compiled by the company's board of directors and management, must be read in the context of the annual report and the auditors' report. When actual figures are unavailable / uncertain at the date of presenting the accounts, generally accepted accounting standard dictate that the management calculate the best possible estimate to be applied in the annual accounts. Differences may ultimately occur between estimated and actual figures.

**NOTE 1 Accounting policies - Effect of change in accounting policies - Reclassifications - Effect of change in the group composition**

### **Fundamental policies - valuation and classification - other issues**

The annual accounts consist of the Profit and Loss Account, Balance Sheet, Cash Flow Statement and Notes, and are presented in accordance with the Norwegian Companies Act, the Norwegian Accounting Act and generally accepted accounting standards in Norway in force as of 31 December 2009. The notes are therefore an integrated part of the annual accounts.

The annual accounts are based on the fundamental principles of the historical cost convention, comparability, continued operations, congruence and prudence. Transactions are recognised at the value of the consideration at the date of transaction. Revenues are recognised when earned and costs are matched with earned income. Hedging and portfolio management have been taken into account. The accounting policies are described in further detail below. When actual figures are unavailable / uncertain at the date of presenting the accounts, generally accepted accounting standards dictate that the management calculate the best possible estimate to be applied in the annual accounts. Differences may ultimately occur between estimated and actual figures.

Assets/liabilities related to the commodity flow and items that fall due for payment within one year after the balance sheet date are classified as current assets /current liabilities. Current assets/current liabilities are valued at the highest/ lowest value of original cost and fair value. Fair value is defined as the assumed future selling price reduced by anticipated selling expenses. Other assets are classified as fixed assets.

### **Accounting policies for significant items**

#### **Time of revenue recognition**

Revenues are recognised when earned. Consequently, sales revenues are normally recognised when goods and services are delivered. The basis for recognising revenues from gas delivered via a pipeline system is the volume recorded by the customer. Revenue recognition from the sale of processed gas is based on the consumed amount where the company owns the facility and on delivered volume when the customer owns the facility. Value added tax, refunds and bonuses have been deducted from the operating revenues.

#### **Charging against income / matching**

Expenses are matched with and charged against income simultaneously with the revenues the expenses can be ascribed to. Expenses that cannot be ascribed directly to revenues are charged against income as and when they are incurred. In the event of restructuring and closing down of activities, all related expenses are expensed at the time of making the decision.

#### **Other operating revenues (expenses)**

Significant revenues and expenses that are unrelated to the ordinary operations are classified as other operating revenues and expenses. Unusual, irregular and significant items are classified as extraordinary.

#### **Financial income and financial expenses**

The company has entered into interest swap agreements. The agreements mean that the company has fixed the interest from a floating to a fixed rate of interest for a given period of time.

The company has formed an agreement to hedge its exposure to price fluctuations of raw materials. The agreement is formed with the intention to hedge the company against

# Notes

the negative development of a binding purchase agreement which is affected by various price and currency derivatives. Consequently, the agreement is regarded as a hedging instrument. During the reporting period, parts of this raw materials hedging agreement were realised as other financial income in the amount of NOK 55 870 699.

The company purchases foreign currencies at times when the exchange rate appears favourable. As the need to make investments is less, and due to a favourable exchange rate at the end of the reporting period, the company has posted a foreign exchange profit of NOK 3 991 944 as other financial income.

## **Intangible assets and tangible fixed assets**

### **Intangible assets**

Intangible assets that are expected to provide future revenues, such as goodwill arising from acquisitions, are capitalized. Depreciations are calculated on a straight-line basis over the useful economic life of the asset. Research and development costs are expensed on a current basis.

### **Tangible fixed assets**

Tangible fixed assets are recognised in the balance sheet at costprice, less accumulated depreciations and write-downs. If there are indications of impairments relating to fixed assets, investigations shall be made to discover whether the recoverable amount is lower than the recorded value. The recoverable amount is the highest of net sales value and utility value. Utility value is discounted future cash flow. If the recoverable amount is lower than the booked amount, the fixed assets shall be written down to the recoverable amount. Expenses relating to periodical maintenance and repairs to production equipment are accounted for on an accruals basis. Expenses related to normal maintenance and repairs are expensed on a current basis. Expenses of major replacements and renewals that significantly extend the useful economic life of the asset are capitalised. Fixed assets that are replaced are expensed. A business asset is considered a tangible asset if it has a certain economic life and a significant cost price. The company normally constructs its own LNG terminals and corresponding facilities, and wages paid to project managers and direct wages in the projects including employer's national insurance contributions and social expenses are capitalised as part of the cost price. Interest relating to plant under construction is capitalised as part of the cost price. Assets leased on terms and conditions that essentially transfer the financial rights and commitments to Gasnor AS (financial leasing) are capitalised as fixed assets, and are included as liabilities under interest-bearing debt at the present-value

of the minimum rental cost. Operational leasing is expensed as ordinary rental cost and classified as ordinary operating expenses.

### **Depreciations**

Depreciations are calculated on the basis of historical cost price and divided according to the straight-line method over the asset's assumed economic life. Intangible assets are amortized correspondingly. The depreciations are classified as ordinary operating expenses. Leasing recognised in the balance sheet is depreciated according to the depreciation schedule and the liability is reduced by the paid rental costs after deduction for calculated interest charges.

## **Financial assets**

### **Treatment of associated companies for accounting purposes**

By associated companies is meant companies where the group has an ownership interest of 20-50%, where the investment is of a long-term and strategic nature and where the group is able to exercise significant influence. Associated companies are incorporated according to the equity method.

The company's share of the profit of an associated company is based on the associated company's profit after tax less any amortization of goodwill owing to the cost price of the asset being higher than the acquired part of the book value of equity. In the profit and loss account, a part of the associated company's profit is recorded on the line Profit/loss from investments in associated companies. In the balance sheet, assets in associated companies are entered as "Fixed asset investment".

### **Financial investments**

Investments in shares and units (apart from investments in associated companies), classified as fixed assets, are valued individually at the lowest of original cost and market value.

### **Inventories**

Inventories are valued at the lowest of cost price according to the first in first out - principle and the assumed selling price.

### **Receivables**

Receivables are entered at nominal value less anticipated losses.

### **Foreign currency**

Monetary items in foreign currencies are valued according to the exchange rate at the end of the accounting year.

# Notes

## **Financial current assets**

Financial current assets are valued according to the principle of the lowest value, and therefore a positive market value at the end of the accounting year is not recognised in the balance sheet. A negative market value is recognised in the profit and loss account. A change in position is recognised in the profit and loss account in the period it is realised.

## **Pension commitments and pension cost**

The company has pension plan that entitle employees to agreed future pension benefits, organised both as defined benefit schemes and defined contribution schemes. The company's pension schemes for defined benefit schemes and defined contribution schemes meet the requirements of mandatory occupational pension schemes.

## **Defined benefit plans**

Pension commitments are calculated according to a linear contributory profile on the basis of assumptions of the number of years of service, discount rate, future yield on pension scheme assets, future wage adjustments, pensions and benefits from the national insurance scheme and actuarial assumptions relating to mortality, voluntary attrition etc. Pension scheme assets are valued at fair value. Net pension commitment consists of gross pension commitment less the fair value of pension scheme assets. Net pension commitments of under-funded schemes are recognised in the balance sheet as long-term interest free liabilities, whereas net pension scheme assets of over-funded schemes are capitalised as long-term interest-free receivables if it is likely that the over-funding can be utilised.

Changes in the commitment owing to changes in the pension schemes are divided over the assumed average remaining qualifying years. Changes to the commitment and the pension scheme assets owing to changes in and actuarial variances, are divided over assumed average remaining qualifying time if the variances exceed 10% of gross pension commitment/pension scheme assets.

Net pension cost, which is gross pension cost less estimated yield on the pension scheme assets, corrected for the divided effect of actuarial variances and pension schemes, is classified as an ordinary operating expense and presented along with wages and other benefits.

## **Defined contribution pension schemes**

The company's commitment to its employees consists of paying contributions of further detailed amounts to the individual employee's pension scheme. The contributions

are final in the sense that future issues such as wage adjustments, yield on the pension saving scheme etc. will not trigger adjustments related to contributions during previous periods. The company or the employee himself decides how the saving shall be organised and managed. Normally, contributions will be determined as a fixed part of the employee's pay. The future pension will depend on the size of the contributions and the yield on the pension saving scheme. As a principal rule, the company's obligation is met in full by paying contributions into the scheme.

## **Deferred tax and tax**

Deferred tax is calculated on the basis of temporary differences between accounting and tax-related values at the end of the accounting year. A nominal tax rate is applied to the calculation. Positive and negative differences are valued against each other within the same time interval. Certain items are nonetheless valued separately, including goodwill arising from acquisitions, and pension commitments. Deferred tax asset arises when there are temporary differences that give rise to future deductions for tax purposes. Tax for the year consists of changes in deferred taxes and deferred tax asset, along with tax payable for the income year corrected for inaccuracies in previous years' estimates.

## **Cash flow statement**

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents comprise cash, bank deposits and other current, liquid investments that can immediately and with insignificant currency risk be converted to known cash amounts and with a maturity date of less than three months from the date of acquisition.

## Notes

### NOTE 2 Stock

	31.12.2009	31.12.2008	Change
Raw materials	16 661 419	15 153 507	1 507 912
<b>Stock</b>	<b>16 661 419</b>	<b>15 153 507</b>	<b>1 507 912</b>
<i>of which valued at production cost</i>	16 661 419	15 153 507	
<i>of which valued at fair value</i>	0	0	

### NOTE 3 Wages and salaries / Number of employees / Remunerations / Loans to employees / Pensions etc.

#### Wages and salaries etc.

	01.01 -31.12	
	2009	2008
Salary	31 691 399	28 320 341
Social security	5 585 690	5 485 835
Pension costs	4 156 089	4 883 230
Other benefits	2 523 522	2 535 910
<b>Payroll expenses</b>	<b>43 956 700</b>	<b>41 225 316</b>

Average number of full time equivalents 51 50  
 Capitalised wages and salaries on major projects amount to NOK 3 495 850,-.

Remunerations (in NOK)	Managing Director	Board of directors
Salary	1 466 083	0
Contribution to pension commitments for Managing Director (ex. nat. ins. contribution 14.1%)	54 000	
Other benefits	156 206	

The Managing Director has an agreement enabling him to vacate his position at the age of 62 and receive 66% of his annual salary for 5 years.

#### Auditor

Statutory auditing	616 300
Other auditing-related services (certifications)	16 690
Tax consultations	95 220
Remuneration for other services	111 990

\* Statutory auditing and related services cover the following:

- All work required by law and generally accepted auditing standards to enable the auditor to present the auditor's report in accordance with RS 700 in the annual report. This includes required additional work and guidance related to compiling the annual accounts in accordance with the statutory requirements
- Corresponding work to enable the auditor to certify / attest our reporting to the company's parent company Signature to the Trading Statement and the employer's Annual Statement on national insurance contributions, cf. RS 801 The auditor's control of taxes and charges
- Agreed control services on request from the management/ order issued by the general meeting, cf. SBT 4400 Limited audit of accounts, cf. SBR 2400
- Work related to attestations / certifications the chosen auditor is legally obliged to perform, cf. RS 800 Auditor's statements and certifications pursuant to company legislation
- Work related to other certification / attestations made by the chosen auditor

# Notes

## Pension schemes

The company has two types of pension schemes for its employees that essentially consist of defined-contribution and defined-benefit pension schemes. Employees that have converted to a defined-contribution pension scheme will have their entitlements related to disability pension and child's pension at the time of the transition calculated according to the same method as for the defined-benefit scheme.

### Defined benefit pension scheme (7)

For accounting purposes, the pension schemes are treated in accordance with NRS 6 Pension costs. The company's pension scheme is treated as a defined benefit plan. The company's pension schemes comprise 52 persons. The pension schemes entitle the members to defined future benefits. These depend for the most part on the number of qualifying years, the wage level at the time of reaching retirement age and the size of the benefits paid by the national insurance scheme. Pension commitments are covered through insurance companies.

### Defined-contribution pension scheme (comprised 44 persons)

The scheme entitles members to defined future benefits in line with the contributions paid into the pension scheme. Contributions to the pension scheme are amended in line with adjustments to wage levels and the size of benefits paid by the national insurance scheme. The future pension of these employees therefore depends on the amounts paid into the scheme and the return on the pension assets as basis for the pension.

## Pension costs

	01.01 - 31.12	
	2009	2008
Current value of the year's pension earnings	2 886 031	5 317 510
Interest expenses on obligation	513 522	233 877
Expected return on pension plan assets	-591 075	-652 105
Recognised effect of actuarial variances	0	-16 052
Administration expenses	436 753	0
Social security	376 803	510 617
<b>Net pension cost</b>	<b>3 622 034</b>	<b>5 393 847</b>

## Reconciliation of the pension schemes' funded status against amounts in the Balance Sheet:

	31.12.2009	31.12.2008
	Funds > Commitments	Funds > Commitments
Accrued pension obligations of 31.12	8 040 597	11 612 810
Pension plan assets (at market value)	4 435 500	9 607 120
Unrecognised effects of actuarial gains / losses	878 892	-252 125
Social security	-508 319	202 255
<b>Net pension commitments</b>	<b>-3 234 524</b>	<b>-2 055 560</b>

## Actuarial assumptions:

Discount rate	4,40 %	3,80 %
Expected salary increase	4,25 %	4,00 %
Expected pension increase	1,30 %	1,50 %
Expected adjustment to National Insurance Multiplier (G)	4,00 %	3,75 %
Expected return on pension plan assets	5,60 %	5,80 %

Assumptions generally applied by the insurance sector form the basis for the actuarial assumptions of demographic factors and attrition

# Notes

## NOTE 4 Tangible assets and intangible assets

	Plant under construction	Gas distrib. facilities	Building	Land	Goodwill	Machinery/ fixt./fittings	Total 2009	Total 2008
Cost price 01.01	78 628 247	1 149 601 738	591 831	22 917 298	12 684 236	45 149 830	1 309 573 180	1 230 319 565
Additions	0	55 727 052	0	841 939	0	1 790 455	58 359 446	165 721 436
Disposals	-18 146 338	0	0	0	0	0	-18 146 338	-86 467 821
<b>Cost price 31.12</b>	<b>60 481 909</b>	<b>1 205 328 790</b>	<b>591 831</b>	<b>23 759 237</b>	<b>12 684 236</b>	<b>46 940 285</b>	<b>1 349 786 288</b>	<b>1 309 573 180</b>
Depreciation and write down 01.01	0	211 979 076	229 997	0	5 541 370	23 954 184	241 704 627	174 923 445
Depreciation and write down 31.12	0	269 122 828	261 146	0	6 750 651	30 454 596	306 589 221	239 017 608
<b>Booked value as of 31.12</b>	<b>60 481 909</b>	<b>936 205 961</b>	<b>330 685</b>	<b>23 759 237</b>	<b>5 933 585</b>	<b>16 485 690</b>	<b>1 043 197 067</b>	<b>1 067 868 553</b>
- of which booked leasing agreem.		29 560 490						
Depr./amortisation for the year	0	57 143 752	31 149	0	1 209 281	6 500 412	64 884 594	64 089 713
Economic life time		Up to 20-40 år	Up to 20 år		Up to 10 år	Up to 20 år		
Depreciation schedule	None	straight-line	straight-line	None	straight-line	straight-line		

### Principles related to significant agreements concerning tangible fixed assets:

Tangible fixed assets are essentially valued at book value. If fair value is lower than the book value, the asset is written down to fair value. Fair value at write-down is equal to the recoverable amount, defined as the highest of net sales value and utility value.

### The company leases two LNG ships, which is classified as operational leasing

The term of the lease agreements concerning Pioner Knutsen is 15 years with an option for a further 5 years. The ship came into operation in 2004. The total contract price for leasing the ship is approximately MNOK 300.

The term of the lease agreements concerning Coral Methane is 15 years with 5 options for a further 2 years at a time. The ship came into operation in 2009. The total contract price for leasing the ship is approximately MNOK 600. After the company took possession of the ship, it has been leased to a pool.

**The company leases three LNG facilities, which is classified as operational leasing. The terms of the lease agreements vary from 9 to 15 years.** The rent for facility no. 1 is determined on the basis of the number of tonnes of LNG delivered via the terminal (9 years, in force from 2004).

The company has a latent obligation to remove facility no. 3 or to redeem the remaining value based on terms and conditions provided in the lease agreement (10 years, in force from 2003).

The company is committed to purchase the remaining value of investments in facility no. 2 if it is no longer in use (15 years, in force from 2003).

# Notes

## NOTE 5 Subsidiaries and associated companies

Companies	Naturgass Møre AS	Naturgass Helgeland AS	Naturgass Trøndelag AS	SFE Naturgass AS	Norsk Gassenter AS	
<b>Formal information</b>						
Time of acquisition	2002	30-06-06	1999 / 2005	2003	1999	
Registered office	Ålesund	Mo	Trondheim	Sandane	Karmøy	
Share ownership	20 %	100 %	100 %	40 %	33,10 %	
Voting rights	20 %	100 %	100 %	40 %	33,10 %	
<b>Information related to time of acquisition (in the acquisition year)</b>						
Cost price	4 400 000	1 300 009	4 862 400	4 959 000	819 970	
Booked equity at the time of acquisition (the company's share)	4 400 000	317 559	2 133 400	4 959 000	819 970	
Information related to the figures for the year						<b>Total</b>
Opening balance as of 01.01.	0	1 176 688	1 280 807	0	855 540	3 313 035
+/- Share of profit/loss for the year	0	4 670	-84 351	0	0	-79 680
+/- Additions/disposals of shares	0	0	0	0	-855 540	-855 540
<b>Balance as of 31.12.</b>	<b>0</b>	<b>1 181 358</b>	<b>1 196 456</b>	<b>0</b>	<b>0</b>	<b>2 377 814</b>

Naturgass Trøndelag AS and Naturgass Helgeland AS have not been consolidated as the exclusion is of no significance to the opinion of Gasnor AS' financial position and the result of its operations. The shares in Naturgass Møre AS and SFE Naturgass AS have been written-down in accordance with generally accepted accounting standards, due to the uncertainty of the companies' prospects.

## NOTE 6 Shares and units in other companies etc.

Companies:	Ownership share	Original cost	Market value	Booked value
Rogaland Ressurssenter AS	10,0 %	63 250	63 250	63 250
Other investments in shares		20 001	20 001	20 001
		<b>83 251</b>	<b>83 251</b>	<b>83 251</b>

# Notes

## NOTE 7 Liabilities

### Information related to loans and debt owing to credit institutions:

	31.12.2009	31.12.2008
<b>Current liabilities</b>		
Debt owing to credit institutions	0	0
<b>Long-term</b>		
Liabilities to credit institutions	786 674 181	791 907 578
Other long-term liabilities	46 758 177	52 911 303
	<b>833 432 358</b>	<b>844 818 881</b>

### Repayment plan:

Year	2010	2011	2012	2013	2014	After 5 years	Total
Amount	66 228 763	65 492 107	67 089 231	66 791 650	62 829 121	505 001 486	833 432 358

### Of this, commitments related to lease agreements booked in the balance sheet

### Repayment plan:

Year	2010	2011 - 2014	Thereafter	Total
Payments of rent	6 088 044	22 652 336	5 846 352	34 586 732
Present value of paid rent	5 685 078	17 991 963	3 346 207	27 023 248

# Notes

## NOTE 8 Taxes

	2009	2008
<b>Tax payable is calculated as follows:</b>		
Pre-tax profit/loss on ordinary activities	62 801 419	-13 906 298
Permanent differences	2 617 443	13 734 745
Change in temporary differences	-65 418 862	-50 149 668
<b>Basis for tax payable</b>	<b>0</b>	<b>-50 321 221</b>
<b>Tax 28%</b>	<b>0</b>	<b>0</b>

### Tax for the year is calculated as follows:

Tax payable on the profit/loss for the year	0	0
Change in deferred tax	18 317 281	-48 035
<b>Total tax for the year</b>	<b>18 317 281</b>	<b>-48 035</b>

### Specification of basis for deferred tax/deferred tax asset:

#### Temporary differences:

Fixed assets	329 339 681	305 227 336
Current assets	-610 000	-483 300
Liabilities	-28 206 912	-26 025 503
Loss carry-forward	-202 121 728	-245 736 354
<b>Total</b>	<b>98 401 041</b>	<b>32 982 179</b>
Basis for pre-paid tax	-24 752 018	-24 752 018
<b>Deferred tax liability</b>	<b>20 621 725</b>	<b>2 304 444</b>

### Nominal tax rate on pre-tax profit/loss:

	NOK	Percentage
Tax calculated as average nominal tax rate on pre-tax profit/loss	17 584 397	28,0 %
Effect of permanent differences/excess provisions in previous years	732 884	1,2 %
<b>Tax in accordance with the profit and loss account</b>	<b>18 317 281</b>	<b>29,2 %</b>

The company has elected to depreciate production facilities and terminals for LNG in Group D for tax purposes in compliance with regulatory requirements. However, the division of additions between Groups D and H is only significant to the distribution between tax payable and deferred tax/deferred tax asset.

# Notes

## NOTE 9 Equity and shareholder information

### Equity:

	Share capital	Share premium	Other equity	Total
Equity as of 31.12.2008	57 726 500	120 681 100	55 714 769	234 122 369
Changes in equity for the year:				
Annual result			44 484 138	44 484 138
<b>Equity as of 31.12.2009</b>	<b>57 726 500</b>	<b>120 681 100</b>	<b>100 198 907</b>	<b>278 606 507</b>

### Share capital and shareholder information:

The Gasnor AS share capital as of 31.12.2009 consists of the following share classes:

	Number	Nominal value	Recognised in Balance Sheet
Ordinary shares	1 154 530	50	57 726 500 0
<b>Total</b>	<b>1 154 530</b>	<b>50</b>	<b>57 726 500</b>

### Ownership structure:

The largest shareholders in Gasnor AS as of 31.12.2009 were

	Ordinary shares	Ownership interest	Voting rights
Statoil Petroleum AS	242 221	20,98 %	20,98 %
BKK AS	230 907	20,00 %	20,00 %
Statoil ASA	230 906	20,00 %	20,00 %
E. ON Ruhrgas International AG	161 635	14,00 %	14,00 %
Haugaland Kraft AS	154 706	13,40 %	13,40 %
Total E & P Norge AS	85 435	7,40 %	7,40 %
Norske Shell AS	47 335	4,10 %	4,10 %
Norse Exploration International	1 168	0,10 %	0,10 %
Roxar Flow Measurment AS	217	0,02 %	0,02 %
<b>Total number of shares</b>	<b>1 154 530</b>	<b>100,0 %</b>	<b>100 %</b>

	31.12.2009	31.12.2008
Other equity	100 198 907	55 714 768
- Goodwill booked in the balance sheet	-5 933 585	-7 142 866
- Deferred tax assets booked in the balance sheet	0	0
<b>= The company's distributable equity</b>	<b>94 265 322</b>	<b>48 571 902</b>

## Notes

<b>NOTE 10 Secured debt and guarantees</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
<b>Secured debt booked in the balance sheet.</b>		
<b>Current liabilities</b>		
Liabilities to credit institutions	0	0
<b>Long-term liabilities</b>		
Liabilities to credit institutions	786 674 181	791 907 578
Other long-term liabilities	46 758 177	52 911 303
<b>Total</b>	<b>833 432 358</b>	<b>844 818 881</b>
<b>Booked value of assets pledged as security for debt:</b>		
Gas distribution facility	936 205 961	934 935 642
Buildings and land	24 089 922	23 279 132
Fixtures and fittings	16 485 690	21 195 647
Accounts receivable	76 629 093	126 507 324
<b>Total</b>	<b>1 053 410 666</b>	<b>1 105 917 745</b>

Covenants were introduced in the loan agreements in respect of working capital and earnings for long-term debt. The company meets the requirements of the loan agreements as of 31 December 2009.

<b>NOTE 11 Merged items</b>	<b>01.01 - 31.12</b>	<b>01.01 - 31.12</b>
<b>Merged items in the cash flow statement:</b>	<b>2009</b>	<b>2008</b>
Changes in the inventory	-1 507 912	430 481
Change in accounts receivable/other receivable	20 810 042	-8 345 394
Changes in accounts payable	-38 645 347	-6 659 434
<b>Total</b>	<b>-19 343 217</b>	<b>-14 574 347</b>

<b>NOTE 12 Cash in hand etc.</b>	<b>31.12.2009</b>	<b>31.12.2008</b>
<b>Restrictions in the use of cash and cash equivalents</b>		
Withholding tax, bank account	1 923 148	1 993 504

### **NOTE 13 Related parties**

The company purchases gas from Norske Shell AS, Statoil ASA and Total E&P Norge AS, which are also shareholders in the company.

The company has a supply agreement for LNG as fuel for supply vessels operated by Statoil ASA and Total E&P Norge AS.

Supply agreements for the purchase and sales are based on ordinary arm's length terms and conditions.

### **NOTE 14 Public grants / other grants**

The company has received public grants for construction and operation of LNG facilities. The grants have been capitalised as a reduction of the original cost of the associated project.

Grants for the establishment of CNG facilities have been entered as deferred income and recognised in the balance sheet as long-term debt.

The grant is taken to income in keeping with the term of the contract.

*Did you know that* **Norway is a world leader in natural gas propelled ships, and that environmentally harmful emissions are reduced by up to 100%?**

*(NOX 85%, SO<sub>2</sub> 100%, Soot 100%)*



Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Gasnor AS

## AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Gasnor AS as of 31 December 2009, showing a profit of NOK 44.484.138. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of December 31 2009, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit, is consistent with the financial statements and complies with law and regulations.

Haugesund, 17 March 2010  
Deloitte AS

Knut Terje Fagerland (signed)  
State Authorised Public Accountant (Norway)



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