Golar LNG Energy

Annual Report & Accounts 2009

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Figure 1 – Gandria

2009 Highlights

- On August 12, 2009 following a corporate restructuring, Golar LNG Energy acquired interests in 8 LNG carriers and certain other assets and liabilities from Golar LNG Limited
- Equity offering completed raising approximately $115.4 million
- Listed on Oslo Axess on October 8, 2009 under ticker GOLE
- Net loss of $2.2 million and operating income before depreciation and amortisation of $13.1 million for the period
- Sale of part of LNG Limited shareholding realizing $11 million in cash and net gain of $8.4 million
- Spot trading vessel earnings strengthened during reported period with improved utilisation and rates but outlook in the short-term challenging
- Market fundamentals improving in the medium to long-term with significant lowering of the ship order book and increasing LNG production
- Floating regasification projects taking shape - Golar LNG Energy well positioned to win contracts

Figure 2 – Khannur

Key Information

In thousands of U.S. $, except number of shares, per common share data, fleet and other financial data	Quarter Three 2009 Jul – Sep (1)	Quarter Four 2009 Oct - Dec	Period to date 2009 July - Dec
Key Income Statement Data:			
Total operating revenues	**11,267**	**22,600**	**33,867**
Vessel operating expenses	3,765	6,804	10,569
Voyage and charter-hire expenses	802	3,007	3,809
Administrative expenses	1,702	4,678	6,380
Depreciation and amortization	4,688	9,486	14,174
Operating income (loss)	**310**	**(1,375)**	**(1,065)**
Net financial expenses	(2,947)	(3,331)	(6,278)
Loss before equity in net earnings of investees, income taxes	**(2,637)**	**(4,706)**	**(7,343)**
Income taxes	-	(120)	(120)
Equity in net earnings (losses) of investees	(591)	(2,549)	(3,140)
Gain on sale of investee	-	8,355	8,355
Net (loss) income	**(3,228)**	**980**	**(2,248)**
Loss per common share - basic & diluted	(0.01)	0.00	(0.01)
Weighted average number of shares - basic & diluted	228,343	228,343	228,343

Footnotes

1. Golar Energy was incorporated on June 22, 2009. The company was dormant until August 12, 2009, being the completion date of the corporate restructuring whereby it acquired the interests in wholly owned subsidiaries and certain other assets of Golar LNG.

	31 December 2009
Key Balance Sheet Data (as of end of year):	
Cash and cash equivalents	70,761
Restricted cash and short-term investments	16,726
Other current assets	70,577
Long-term restricted cash	342,868
Equity in net assets of non-consolidated investees	21,244
Vessels and equipment, net	904,024
Other long term assets	31,157
Total assets	**1,457,357**
Current portion of long-term debt	42,990
Current portion of obligations under capital leases	4,751
Other liabilities	156,417
Long-term debt	367,909
Long-term obligations under capital leases	452,695
Stockholders' equity	**432,585**
Total liabilities and equity	**1,457,347**
Fleet Data (unaudited)	
Number of vessels at end of year	9
Total calendar days for fleet	987
Total operating days for fleet	831
Other Financial Data (Unaudited):	
Average daily time charter equivalent earnings	$36,174
Average daily vessel operating costs	$10,708

Director's Report

Introduction

The Director's report provides analysis of our financial and operational results for the period ended December 31, 2009. The Director's report should be read in conjunction with the Consolidated Financial Statements for the period ended December 31, 2009 and the related notes. All financials are in US dollars unless otherwise stated.

Overview and Background

We formed as a wholly owned subsidiary of Golar LNG Limited ("Golar LNG") on June 22, 2009, under the laws of Bermuda. On August 12, 2009 we completed our corporate restructuring and private placement offering, whereby we acquired the interests in wholly owned subsidiaries of Golar LNG, which collectively own interests in eight liquefied natural gas ("LNG") vessels, a 50% equity interest in another LNG carrier and certain other investments. We are a publicly listed Bermudian company, listed in Norway on the Oslo Axess specializing in the acquisition, ownership, operation and chartering of LNG carriers and floating storage regasification units ("FSRUs") and the development of liquefaction projects. As of December 31, 2009, we operated a fleet of eight LNG carriers and had a 50% equity interest in another LNG carrier. Our parent company, Golar LNG Energy Limited ("Golar Energy") and its subsidiaries (the "Group") are currently 68% owned by Golar LNG, together we are the Golar LNG Group

Financial Review

We reported a net loss of $2.2 million and operating income before depreciation and amortisation of $13.1 million from inception to December 31, 2009 (the "period"). These results represent trading from the date of completion of the restructuring (see below for further details) and equity offering on August 12, 2009 to December 31, 2009.

Revenues in the period were $33.9 million. Earnings from vessels operating in the spot market continued to slowly improve from the position in the first half of 2009. Average utilisation for the period was 91%, with average daily time charter equivalent rates ("TCEs") at $36,174 per day.

Voyage expenses, principally fuel costs whilst the vessels are not on time charter, were $3.8 million for the period and vessel operating expenses were $10.6 million. Administrative expenses for the period were $6.4 million.

Net financial expenses were $6.3 million during the period which included a gain of $0.5 million arising principally due to a gain on the valuation of interest rate swaps as a result of the increase in long-term interest rates.

Equity in net earnings of investees of $3.1 million relates mainly to our 50% investment in Bluewater Gandria NV, the owner of the vessel Gandria and our investment in LNG Limited. Due to our reduction in ownership stake in LNG Limited, we have discontinued the equity method of accounting for LNGL from November 2009.

The gain on sale of investee of $8.4 million represents the sale of 9.6 million LNG Limited shares as discussed further below.

As at December 31, 2009, total assets were $1,457 million. This primarily consisted of vessels and equipment with a book value of $904 million of which $471 million is owned and $433 million is operated under capital leases, $343 million in long-term restricted cash which relates to the value of deposits used to obtain letters of credit to secure obligations for the lease arrangements and $71 million in cash and cash equivalents.

As at December 31, 2009, debt totalled $411 million consisting of four facilities. The margins we pay under our loan agreements are above LIBOR at a fixed or floating rate range from 0.7% to 1.0%. Total obligations under capital leases as at December 31, 2009 were $458 million and represented five vessels. Stockholder's equity totalled $433 million.

Parent Company

Our parent company, Golar LNG Energy Limited, posted a net loss of $1.8 million for the period ended December 31, 2009, which the Board proposes should be carried forward as retained loss and that no dividends be declared for 2009. As of December 31, 2009 Stockholder's equity totalled $461 million.

The parent company owns interests in wholly owned subsidiaries which collectively own interests in eight LNG vessels, a 50% equity interest in a ninth vessel and certain other assets and investments.

Financing, Corporate and other matters

Immediately subsequent to the restructuring (as discussed above), we completed a private placement of approximately 59.8 million new shares, which included the exercise of a 'Green Shoe' option, raising approximately $115 million net of fees. At the time of the equity offering we also issued 12 million warrants to subscribe for further shares on December 15, 2010 at a price of $2 per share.

The underlying rationale for the restructuring was to create an aggressive, well funded high growth midstream LNG company with a focus on LNG shipping and trading, floating regasification projects and liquefaction projects.

Our shares were listed on Oslo Axess (GOLE) on October 8, 2009 and the prospectus for this listing can be found on the our website at www.golarenergy.com.

During the fourth quarter we issued share options to directors and employees totalling 3,940,000 at a strike price $2.20. The grant date was October 23, 2009 and all options vest over a period of two years and eight months.

In November 2009, we sold a block of 9.6 million Liquefied Natural Gas Limited ("LNGL") shares which reduced our shareholding to approximately 6.3% of LNGL issued share capital. The sale realised funds of approximately $11 million and resulted in an accounting gain arising of $8.4 million.

Figure 3 – Golar Arctic

Operational Review

Shipping

The spot LNG shipping market will likely continue to face some challenges in the short to medium term due to an oversupply of vessels. Whilst the trading performance of the Company's vessels operating in the spot/short term market improved over the period, rates and utilisation are still unsatisfactory.

The fleet as at December 2009 stood at approximately 340 ships, a 21% increase from the 280 ships at the end of 2008 driven by an equally significant increase, albeit somewhat delayed, in LNG production. This means that 37 new vessels will be delivered between February 2010 and end 2012 compared to 38 vessels in 2009 and 53 new deliveries were made in 2008. By the end of 2010 only 11 ships currently will remain to be delivered representing only 3% of the total fleet.

Regasification

The outlook for new floating storage and regasification projects remains encouraging. Many LNG import terminal developers are taking the necessary and material steps to support the next wave of floating regasification contracts after the limited activity in 2009 following the global financial crisis. Prequalification ("PQ")/Request for Proposal ("RFP") activity is on the rise; regasification developers are engaging technical consultants to scope new projects and interestingly inquiry among oil and gas majors has increased. Recent and notable public market activity includes projects in:

- Indonesia (West Java)
- Indonesia (Sumatra)
- Jamaica
- Israel
- Uruguay

We remain committed to and confident in delivering the next FSRU contracts and are taking pro-active steps to be well positioned. We believe that floating terminals can be significantly cheaper and are more flexible than land based alternatives. In addition floating terminals benefit from a significantly faster time to start up.

Liquefaction

In February 2009, Golar LNG announced its entry into a Heads of Agreement relating to our 40% participation in the Gladstone LNG project. It expected the other project participants to be LNGL (40%) and Arrow Energy Limited (gas supply to the project, (20%)). It also agreed to provide certain equity funding support to LNGL. This and other related agreements were transferred to us as part of the our restructuring in August 2009. Arrow Energy Limited has recently agreed a takeover proposed from Royal Dutch Shell and PetroChina. Primarily as a result of this all agreements in respect of this project have terminated. Our original collaboration agreement with LNGL remains in place.

We along with PTTEP announced in January 2010 the joint termination of the Heads of Agreement and Joint Study Agreement governing their joint development of a floating liquefied natural gas (FLNG) project based on the gas fields in North West Australia owned by PTTEP. The two companies also announced their termination of a Memorandum of Understanding covering their global cooperation to identify and develop FLNG projects.

We will however continue to actively pursue FLNG projects which fit with the company's financial objectives and best capture our technical capabilities. Our strategy will be expanded to include the development of low capital cost, rapid deployment floating facilities utilising the conversion of high quality existing LNG carriers, floating technologies for the liquefaction of pipeline quality gas or associated gas (requiring minimal processing) and seek other innovative LNG solutions. This strategy complements our industry leadership position in floating LNG regasification facilities development.

In an era of intense competition in the LNG industry and the high cost and long lead time of land based LNG facilities, we believe highly cost efficient approaches based on floating LNG liquefaction, storage and offtake, shipping and regasification facilities of the types now being developed by the Company will be key to substantial additional growth opportunities.

Market

Last year witnessed a nearly worldwide reduction in industrial gas demand, which in the US pushed gas prices so low that the fuel began replacing coal in many parts of the electricity sector, thus preventing a complete collapse in prices. The U.S. actually increased its LNG consumption last year despite the domestic shale gas boom, on the back of falling demand elsewhere and the abundance of supply at low prices.

Far Eastern consumption dropped but recovered somewhat at the end of last year. There were higher import volumes for Japan, Korea and Taiwan compared to the same period a year earlier as demand recovered from the recession-led dip. Prices remained lower than a year previous however.

The nature of LNG's role in the gas market is set to change since as much as 60 million tons per year of global LNG is expected to be flexible supply in 2010. This means that nearly 3% of global natural gas consumption can be redirected to whatever market offers the best netback to sellers.

The amount of new LNG capacity coming on line over the course of 2010 will be circa 23.1 million tons/yr compared to 46.5 million tons/yr last year. The 2010 number may well shift if Qatar's last train is completed by September, as now scheduled, or the Peruvian LNG project slips into early 2011, as many expect. Nonetheless uncommitted LNG is set to double in 2010 to 60 million tons.

In addition, 2009 saw two final investment decisions with Chevron's 15 million tonne Gorgon project and Exxon's 6.6 million tonne PNG LNG project. Both projects are expected to be operational by 2014. One notable development from last year was that December saw the first re-export from a U.S. LNG storage facility, the cargo being loaded at Freeport and sold into Korea.

Figure 4 – Golar Spirit regasification plants

Outlook

The LNG sector has suffered as a result of the global recession and the successful development of shale gas in the US. This, in combination with new LNG supply coming on stream has resulted in downward pressure on LNG prices. Several LNG trains around the world have been running at reduced capacity and with the new vessel capacity it could take some time before we see a balance in the demand and supply situation.

However, this oversupply and increased flexible supply might also create some arbitrage opportunities which would benefit an over supplied spot shipping market as well as making more regasification projects realistic.

There are clear similarities between the more flexible structure of the LNG market which is now emerging and the opening of the crude oil market in the 1970's. There is increased activity by traders and spot cargoes are still at a limited level.

By the end of 2010 there will be a significant decline in the rate of growth of the fleet and, with no new buildings ordered during 2009, we expect to see a tightening of the shipping market over the next twelve to eighteen months. Based on the long term demand for LNG the capacity of the LNG fleet will have to be increased, also taking into account that a number of the old vessels will be scrapped or converted into regasification or floating liquefaction vessels.

However, 2010 will be challenging for our vessels operating in the spot market, rates are likely to remain low and utilisation may weaken.

The floating regasification market is looking more and more promising with increased interest in floating regasification from all over the world. With the uncertainties in the global market of the past eighteen months slowly being overcome, project developers seem to be much more focused and serious. We believe that there will be a few new FSRU contracts awarded during 2010. New players are trying to enter the market, however we believe that we are in a good position to secure contracts based on our previous experience in this market.

We have gained valuable FLNG experience through the work done with PTTEP and other studies. We are extremely cognizant of the significant challenges to undertake a large scale FLNG project as conceived by some market participants, both from a technical, commercial and financing point of view. We believe that there are alternative niche markets to be developed in this sector and during the last 6 months have developed a FLNG concept for a 1 million ton per annum unit which could liquefy pre-treated/pipe gas/coal-seam gas at a very competitive capital cost per ton. We will selectively continue to pursue the FLNG market.

We also believe that further worldwide opportunities exist in solutions which integrate power production and regas projects. We will also use the current weak freight market to seek much needed consolidation opportunities.

Risks

A number of risk factors may adversely affect us. It should be noted that the risks described below are of a general nature and are not the only risks that may affect our business or the value of our shares. Additional risks not presently known to the Board of Directors or considered immaterial at this time may also impair our operations and prospects.

Market risks

We are exposed to the volatility inherent in the LNG market, where we have virtually all our assets and operations. The market is volatile and competitive. Demand for LNG transportation is closely linked to global economic trends, with risks of demand setbacks in periods of economic downturns. Supply of tonnage serving the LNG market has grown in recent years as an effect of large ordering, and may increase further in case of additional ordering. The market balance is difficult to predict, and it cannot be assured that resulting rates will be sufficient to cover expenses and/or a return on our capital.

Operational risks

Our operations may be subject to a number of risks. This includes construction risks, risks of counterparties failing to honour their obligations, technical risks (including the service life of our vessels, unexpected repair costs and cost overruns associated with capital projects such as the conversion of LNG carriers to FSRUs), risks inherent in marine operations such as groundings and collisions, as well as environmental risks. We have a limited organisation. In the course of its activities, we may become party to legal proceedings and disputes. Insurance protection may not be adequate in all instances. All of these factors could have a significant impact on our operations or financial position.

Financial risks

We are exposed to financial risks which include risks relating to interest rate and currency fluctuations. In addition, its borrowings create leverage which will amplify the effects of rate, cost, and value movements. In addition, changes in taxation could have a material impact on us.

Risks relating to our shares

The trading price of the our shares could fluctuate significantly in response to quarterly variations in operating results, adverse business developments, interest rate, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors, or changes to the regulatory environment in which we operate. The market price of the shares could decline due to sales of a large number of the shares in the market or the perception that such sales could occur.

For further information relating to risks to our business, LNG & FSRU shipping industry and our shares refer to the section within the Annual Report "Risks Related to Our Business" as well as Note 22 of the consolidated Financial Statements.

Going Concern

In accordance with the Norwegian Accounting Act section 3-3a management and the board of directors confirm that the Financial Statements have been prepared under the assumption of going concern. This assumption is based on income forecasts for the year 2010 and our long-term strategic forecasts. Our economic and financial position is sound. The Board believes that the annual report provides a correct outline of our assets and debt, financial position and results of operations.

April 30, 2010

The Board of Directors
Golar LNG Energy Limited
Hamilton, Bermuda

Directors' Responsibility Statement

We confirm to the best of our knowledge, that the financial statements for the period ended December 31, 2009 have been prepared in accordance with US GAAP and give a true and fair view of the Group's consolidated assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the year end Director's report includes a fair review of important events that have occurred during the financial year and their impact on the set of consolidated financial statements, a description of the principal risks and uncertainties and major related party transactions.

April 30, 2010

The Board of Directors
Golar LNG Energy Limited
Hamilton, Bermuda

Our Business Strategy

As part of the Golar LNG Group, we are one of the world's largest independent owners and operators of LNG carriers with over 35 years of experience and have developed the world's first Floating Storage and Regasification Unit based on the conversion of existing LNG carriers.

We plan to grow our LNG shipping and FSRU business and are developing opportunities to diversify into other areas of the mid-stream LNG supply chain to enhance our margins. Our main focus is the development of further maritime based, relatively small scale and low cost LNG mid-stream solutions.

In respect of our shipping operations we intend to build on our relationships with existing customers and continue to develop new relationships. We aim to earn higher margins through maintaining strong servicebased relationships combined with flexible and innovative LNG shipping solutions. We will also seek long-term employment for our LNG carriers within integrated LNG projects that we may be involved in and will look to participate in LNG trading opportunities to maximise the utilization and returns from our vessels operating in the spot market.

In 2008, Golar LNG Group delivered the world's first FSRU converted from a LNG carrier, in 2009 delivered the world's second FSRU converted from a LNG carrier and in 2010 will deliver the third. We intend to take advantage of our leading position in this relatively new market, as well as our LNG experience and our shipping assets to grow our FSRU business.

In furtherance of our strategy to grow our business and maximise returns for our shareholders we are actively seeking opportunities to invest upstream and downstream in the LNG supply chain, where our shipping assets and over 35 years of industry experience can add value. We believe we can achieve this aim while at the same time diversifying our sources of income and thereby strengthen the Company.

We are investing in both established LNG operations and technologies and newly developing technologies; including floating regasification operations, floating LNG production and floating power production from natural gas. We expect to continue our focus on these LNG solutions and related shipping services as a major area for our business development.

Figure 5 – LNG export manifolds of Gandria

FSRUs – Building on The Track Record

FSRU Projects:

Golar LNG Group, of which we are a part, has entered into time charter agreements with Petrobras in respect of the Golar Spirit and the Golar Winter and with DUSUP in respect of the Golar Freeze, which requires the conversion of these vessels into FSRUs. All three FSRUs will be chartered by Petrobras or DUSUP for 10-year periods, with options to extend the charter for up to an additional five years. The Golar Spirit commenced its charter in July 2008 and the Golar Winter commenced its charter in early September 2009. The charter for the Golar Freeze is scheduled to commence upon completion of its conversion and delivery of the vessel in Dubai which we expect in May 2010. We are actively pursuing other similar project opportunities, which include the provision of technical marine and LNG expertise for other technically innovative projects to build on the track record of Golar LNG.

Golar Spirit (See Figures 6)

Use:	FSRU, with retained capability to trade as an LNG carrier
LNG storage capacity:	129,000 m^3
Regasification capacity	2.5 bcm/y
Location:	Moored at an existing upgraded jetty at Pecém, Ceará, northern Brazil
LNG transfer:	Over the jetty via loading arms fixed on the jetty
Gas transfer:	Via high-pressure loading arms fixed on the jetty
Vaporisation system:	Direct steam in a closed loop

Built in 1981, the *Golar Spirit* was the first LNG carrier built in Japan; it has a Moss tank containment system. The *Golar Spirit* was contracted for LNG shipments between Indonesia and South Korea from 1986 to 2006. The decision to convert the vessel was taken in 2005, and Moss Maritime was chosen as the main engineering contractor. The vessel entered the Keppel shipyard in Singapore in 2007 and emerged in May 2008.

Figure 6 – Golar Spirit
The *Golar Spirit* FSRU (right) and an LNG carrier berthed at Guanabara Bay, in Brazil.

Golar Winter (See Figure 7)

Use:	FSRU, with retained capability to trade as an LNG carrier
LNG storage capacity:	138,000 m^3
Regasification capacity	5.1 bcm/y
Location:	Moored at a new purpose-built jetty at Guanabara Bay, Rio de Janeiro, Brazil
LNG transfer:	Over the jetty via loading arms fixed on the jetty
Gas transfer:	Via high-pressure loading arms fixed on the jetty
Vaporisation system:	Two-stage propane and seawater in closed or open loop

The *Golar Winter* was built in 2004 and has a GTT NO96 membrane tank containment system. The vessel was selected for conversion in 2007. Moss Maritime again acted as the main contractor. The vessel entered the Keppel shipyard in Singapore in September 2008 and emerged an FSRU in May 2009.

Both FSRUs are designed to operate at either of two terminals, at Pecém, in northern Brazil, or at Guanabara Bay, Rio de Janeiro, although the *Golar Spirit* is earmarked for Pecém and the *Golar Winter* for Guanabara Bay. The jetty at Pecém already existed and only required modification to turn it into a receiving terminal; Guanabara Bay is a new, purpose-built terminal. Each of the terminals has three sets of marine loading arms: two sets for LNG and one set for high-pressure gas. LNG carriers discharge LNG via one set of arms across the jetty to the second pair connected to the FSRU. Transfer of LNG and gas export can take place simultaneously.

Figure 7 – Golar Winter
The *Golar Winter* FSRU in Guanabara Bay in Brazil

Golar Freeze (See Figure 8)

Use:	FSRU
LNG storage capacity:	125,000 m^3
Regasification capacity	5.0 bcm/y
Planned location:	Moored at a new purpose-built jetty at Jebel Ali, Dubai
LNG transfer:	Side by side via loading arms on the FSRU
Gas transfer:	High-pressure loading arms fixed to the jetty
Vaporisation system:	Two-stage propane and seawater in open loop

The *Golar Freeze* was built in 1977 and has a Moss tank containment system. The final investment decision for the conversion was made in April 2008 and work on the vessel commenced in September 2009. The vessel left the ship yard in April 2010 and is expected to deliver to Dubai Supply Authority in May 2010.

The Dubai Supply Authority ("DUSUP") has taken a charter on the vessel for 10 years, with an option for a further 5 years. The vessel will be used to import gas during the very hot, six-month summer season, when the load on the electricity grid from air conditioning systems is greatest. The vessel is not expected to trade as a LNG carrier.

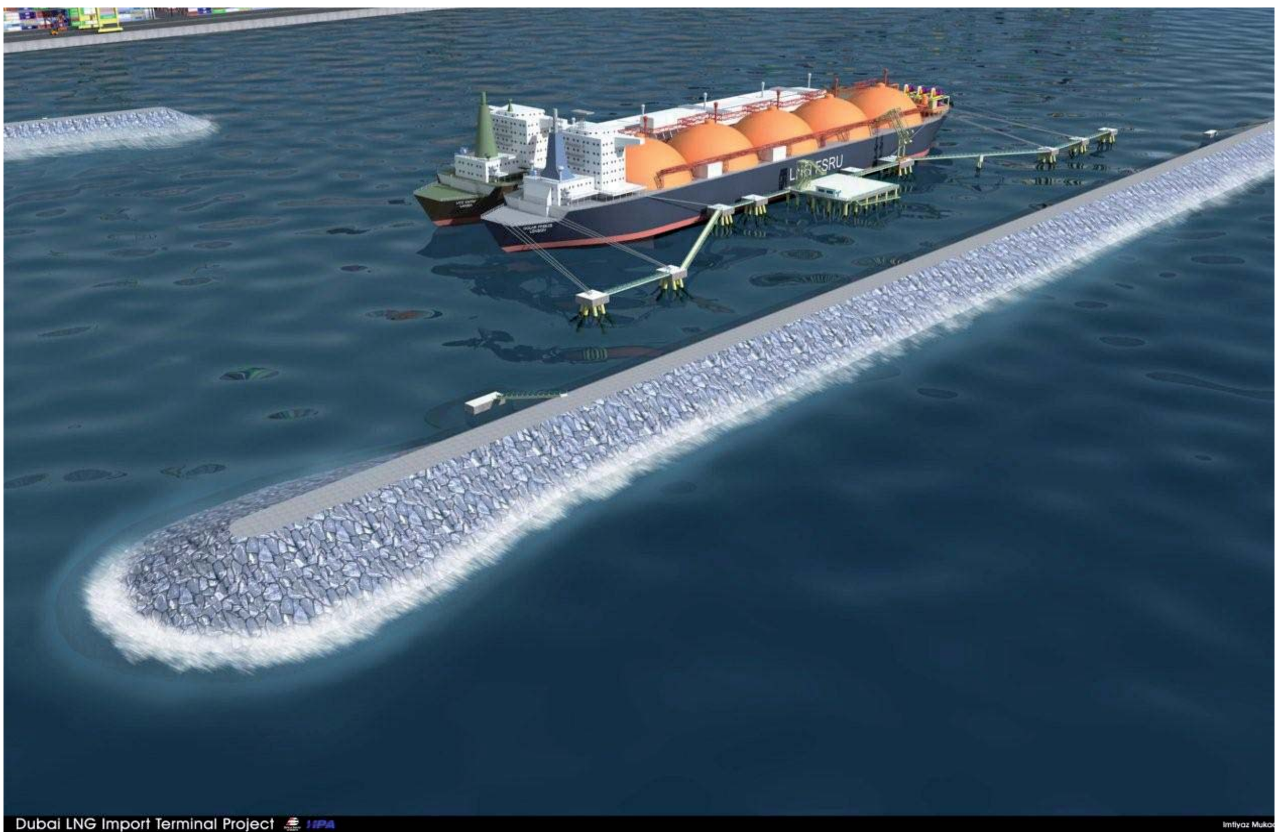


Figure 8 – Golar Freeze – an artist's impression
The *Golar Freeze* will operate at Jebel Ali, in Dubai, and is designed to be berthed side by side with an LNG carrier at a purpose-built jetty. Transfer of LNG will be directly from ship to ship.

Our Current Fleet

As of end March 2010, we operated a fleet of 9 vessels including a 50% equity interest in one of the vessels (Gandria).

The following table lists the LNG carriers in our current fleet:

Vessel Name	Year of Delivery	Capacity cbm.	Flag	Type	Charterer	Current Charter Expiration	Charter Extension Options
Hilli	1975	125,000	MI	Moss	n/a (1)	n/a	n/a
Gimi	1976	125,000	UK	Moss	BG	2010	
Golar Freeze	1977	125,000	MI	Moss/FSRU(2)	DUSUP.	2020	Terms extending up to 2025
Khannur	1977	125,000	UK	Moss	BG	2010	
Golar Viking (formerly known as the Gracilis)	2005	140,000	MI	Membrane	Shell	2011	
Golar Grand (formerly known as the Grandis)	2006	145,700	IOM	Membrane	Shell	2011	
Golar Maria (formerly known as the Granosa)	2006	145,700	MI	Membrane	Shell	2011	
Golar Arctic (formerly known as the Granatina)	2003	140,000	MI	Membrane	Spot Trading	n/a	
Gandria (3)	1977	126,000	NIS	Moss	n/a(1)	n/a	

Key to Flags:

LIB – Liberian, UK – United Kingdom, MI – Marshall Islands, IOM – Isle of Man , BAH – Bahamas, NIS – Norwegian

(1) Currently, the *Hilli* and *Gandria* are layed-up in Labuan, Malaysia.
(2) Golar LNG Limited has an option to and is expected to reacquire the Golar Freeze upon its delivery to DUSUP.
(3) In connection with our joint venture Bluewater Gandria we have a 50% equity interest in the *Gandria* with the remaining 50% owned by Bluewater.

Business & Industry Overview

Business Overview

The Natural Gas Industry

Natural gas is a growing energy source and its growth is expected to continue for the next 20 years. According to the IEA new gas fired power plants and industrial (especially petrochemicals) usage are expected to provide a substantial part of this incremental demand. Their 2009 International Energy Outlook reference case forecasts a rise in Worldwide consumption from 104 trillion cubic feet ("Tcf") in 2006 to an estimated 114 Tcf this year and rising to 152.5 Tcf by 2030 – an average annual rise of 1.6% from 1990 to 2030 with the largest rises over the same period being China (5.1% p.a.) and India (4.1% p.a.).

The primary factors contributing to the growth of natural gas demand include:

- *Environmental:* Natural gas is a clean-burning fuel. It produces less carbon dioxide and other pollutants and particles per unit of energy production than coal, fuel oil and other common hydrocarbon fuel sources.
- *Demand from Industry and Power Generation:* According to the IEA, natural gas is the fastest growing fuel source for electricity generation worldwide accounting for around 35% of the world-wide natural gas consumption by 2030. Also by 2020 industrial consumption is forecast to consume around 40% of world-wide gas use.
- *Market Deregulation:* Deregulation of the gas and electric power industry in the United States, Europe and Japan, has resulted in new entrants and an increased market for natural gas.
- *Significant Natural Gas Reserves:* As of January 2009 reserves of natural gas were estimated at approximately 6,254 Tcf or approximately more than 55 times the 114 Tcf of natural gas estimated to be consumed worldwide in 2009 and 69 tcf more than the previous year's estimate.
- *Emerging Economies:* According to EIA's 2009 predictions projected average increases in emerging economies (non-OECD) consumption of natural gas will be c2.2% per year up to 2030 compared to 0.9% per annum for OECD economies.

The LNG Industry

Overview

LNG is liquefied natural gas, produced by cooling natural gas to –163°C (-256° Fahrenheit), or just below the boiling point of LNG's main constituent, methane. LNG is produced in liquefaction plants situated around the globe near gas deposits. In its liquefied state, LNG occupies approximately 1/600th the volume of its gaseous state. Liquefaction makes it possible to transport natural gas efficiently and safely by sea in specialized vessels known as LNG carriers. LNG is stored at atmospheric pressure in cryogenic tanks. LNG is converted back to natural gas in regasification plants by raising its temperature.

The first LNG project was developed in the mid-1960s and by the mid-1970s LNG had begun to play a larger role as energy companies developed remote gas reserves that could not be served by pipelines in a cost-efficient manner. The LNG industry is highly capital intensive and has historically been characterised by long-term contracts. The long-term charter of LNG carriers to carry the LNG is, and remains, an integral part of almost every project.

Production of LNG has grown from 147 mt p.a. in 2005 to 188 mt p.a. in 2009 and is forecast to rise to 302 mt p.a. by 2015. Five new producing countries entered the market in the same period.

Production

There are three major regional areas that supply LNG. These are (i) Southeast Asia, including Australia, Malaysia, Brunei, Indonesia and Russia (ii) the Middle East, including Qatar, Oman and United Arab Emirates, with a recently commissioned facility in Yemen, and (iii) the Atlantic Basin countries, including Algeria, Egypt, Equatorial Guinea, Libya, Nigeria, Norway and Trinidad with facilities under construction in Angola. For the first time, South America will enter into the LNG Liquefaction industry when Peru completes construction of their LNG project in the second quarter of this year. The expansion of existing LNG production facilities is one of the major sources of growth in LNG production and most projects with gas reserves available are considering growth of production. By April 2010 there were 23 liquefaction facilities in operation in 17 countries.

Consumption

The two major geographic areas that dominate worldwide consumption of LNG are East Asia; including Japan, South Korea, Taiwan and China; and Europe, specifically Spain, France, Italy and Belgium. In 2009, East Asia (including China) accounted for approximately 58% of the global LNG a reduction from 64% in 2008. Eight LNG import terminals operate in the United States and a ninth is due to be commissioned shortly. In addition Costa Azul in Baja California, Mexico provides gas to Southern California. Argentina became the first Latin American country to import LNG in June 2008 via its Bahia Blanca Gasport terminal followed by Brazil via our converted LNG Carriers the Golar Spirit, and Golar Winter. Chile also has two LNG Import terminals.

There are currently 23 LNG importing countries with more than 80 importing terminals with further terminals under construction. In 2008, Japan and South Korea remained the two largest importers of LNG, accounting for approximately 56% of the aggregate world LNG imports. Almost all natural gas consumption in Japan and South Korea is based on LNG imports.

The LNG Fleet

As of the end of January 2010, the world LNG carrier fleet consisted of 341 LNG carriers (including 12 FSRUs and Regasification Vessels, or RVs and 14 vessels currently in Lay-up) with a total capacity of greater than 45 million cubic meters. Currently there are orders for around 40 (of all sizes) new LNG carriers (including 7 FSRU, RV vessels and Production units) with expected delivery dates through to end 2011.

The current 'standard' size for LNG carriers is approximately 155,000 cbm, up from 125,000 cbm during the 1970's. To assist with transportation unit cost reduction the average size of vessels is rising steadily and we have now seen the first deliveries of Q Max LNG Vessels of up to 266,000 cbm. There are also some smaller LNG carriers, mainly built for dedicated short distance trades.

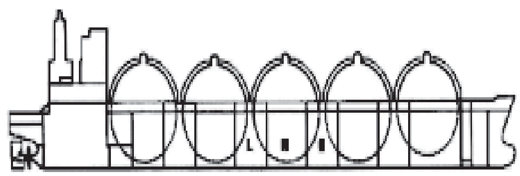
LNG carriers are designed for an economic life of approximately 40 years. Therefore all but a very few of the LNG carriers built in the 1970s still actively trade. In recent contract renewals, LNG vessels have been placed under time charters with terms surpassing their 40th anniversaries, which demonstrate the economic life for such older vessels. As a result, limited scrapping of LNG carriers has occurred or is likely to occur in the near future. In view of the fact that LNG is clean and non-corrosive when compared to other products such as oil and given that more has tended to be spent on maintenance of LNG vessels than oil tankers, the pressure to phase out older vessels has been much less than for crude oil tankers. We cannot, however, say that such pressure will not begin to build in the future.

While there are a number of different types of LNG vessels and “containment systems,” there are two dominant containment systems in use today:

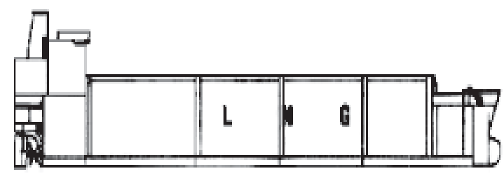
- The Moss system was developed in the 1970s and uses free standing insulated spherical tanks supported at the equator by a continuous cylindrical skirt. In this system, the tank and the hull of the vessel are two separate structures.
- The Membrane system uses insulation built directly into the hull of the vessel, along with a membrane covering inside the tanks to maintain their integrity. In this system, the ship’s hull directly supports the pressure of the LNG cargo.

Illustrations of these systems are included below:

Moss System



Membrane System



Of the vessels currently trading and on order approximately 66% employ the membrane containment system, 30% employ the Moss system and the remaining 4% employ other systems.

The maximum worldwide production capacity for LNG carriers is in the region of approximately 40 ships a year after the rapid expansion of production facilities over the past five years, particularly in Korea. The actual output depends upon the relative cost of LNG ships to other vessels and the relative demand for both. The construction period for an LNG carrier is approximately 28-34 months. However, based on current yard availability, the earliest delivery date for a new LNG vessel ordered today is 2012. Any new project/trade with LNG vessel demand before then will have to rely on existing or ordered vessels until potential new orders can be delivered to LNG Regasification Terminals.

There are over 80 LNG Regasification Terminals operating in 22 countries. The long term outlook for global gas and demand has stimulated growth in LNG production and trade, as well as the necessary expansion of regasification infrastructure. Many existing regasification terminals have considered or are currently in the process of capacity expansions. Global regasification capacity is expected to grow by more than twice the rate of LNG supplies to 2010 resulting in a structural surplus. By the end of 2010, global LNG regasification is forecasted to be approximately 563 MTA while global liquefaction capacity is forecasted to be 267 MTA. Most of the LNG regasification terminals presently in operation, and most of those currently under development, are onshore facilities. Many of these terminals are in heavily populated regions and environmentally sensitive coastal areas, which face significant opposition from a range of government, community, and environmental groups. In many instances, this opposition has caused lengthy and costly delays in obtaining permits and the ultimate completion of these LNG regasification terminals. Additionally, when an importing region’s natural gas demand is seasonal, onshore regasification terminals are more likely to increase the average cost of LNG in periods of greater demand to financially compensate for when an onshore terminal sits underutilized during periods of low demand. To address a number of the above challenges, floating storage and regasification terminals have been successfully delivered and are now operating.

Floating Storage and Regasification Units

In response to the limitations and political difficulties faced by onshore land-based terminals, many LNG importers around the world are exploring on-shore and offshore floating LNG regasification terminals as a cost effective and politically attractive alternative to land based onshore facilities.

We believe floating storage and regasification units are economically attractive, technically acceptable and flexible. In most cases FSRUs cost much less than land-based schemes of a similar size. Whilst general cost comparisons must be treated with caution, as the circumstances surrounding floating and land-based developments can affect the cost of both significantly, our experience to date indicates that FSRUs of the order of 2–4 MTA are likely to be significantly cheaper than equivalent land-based plants.

FSRUs are generally faster to bring into operation: time is saved by not having such an extensive planning and permitting process as that normally associated with onshore developments; and the construction time is reduced, assuming the conversion of an existing LNG carrier, because much of the required equipment (storage, power and utilities) is already available and in place. The conversion projects carried out on the Golar Spirit, Golar Winter and Golar Freeze suggest two years from the final investment decision to the delivery of the vessel: 18 months for engineering and procurement, and six months for the shipyard work.

We also believe that FSRUs are attractive because of the flexibility that they provide in terms of location and use. Depending on their design and configuration, FSRUs can be moved from one demand centre to another and may retain the ability to trade as LNG carriers.

Opposition to onshore LNG regasification plants has been strong in some places. Floating storage and regasification offers a way of distancing the energy solution from local opposition and potentially avoiding a lengthy and difficult approvals process. FSRU's are disadvantaged to onshore terminals because they generally have less storage and regasification capacity, and may require an offshore natural gas pipeline infrastructure to transport the gas to shore.

The figure below depicts an FSRU.

In general, FSRUs can be divided into four subcategories:

- permanently located offshore;
- permanently alongside (with LNG transfer being either directly ship to ship or over a jetty);
- shuttle carrier with regasification and discharge offshore (sometimes referred to as energy bridge); and
- shuttle carrier with alongside discharge.

The unloading process used by FSRUs involves the vaporization of LNG and injection of natural gas directly into one or more pipelines.

Compared to onshore terminals, FSRUs and other offshore LNG solutions are in the early stages of commercialization. Several companies such as Golar, Exmar, Excelerate Energy and Höegh LNG are actively pursuing and marketing FSRU terminals to LNG importers around the world. Golar LNG's the first company to enter into an agreement for the long-term employment of a FSRU with a LNG importer. Golar LNG's first FSRU has been delivered to Petrobras and is currently operational. Golar LNG's second FSRU, Golar Winter, commenced its long-term charter with Petrobras in early September 2009. The third FSRU commitment, the Golar Freeze, is scheduled for delivery to DUSUP in May 2010. We believe several other LNG shipping companies are currently evaluating the costs and the technology of FSRUs, but none have entered the commercial market.

We believe, based on the FSRU commitments earned to date and strong market inquiry that FSRUs are viewed as an accepted means of LNG storage and regasification, particularly in locations where political or environmental concerns may prevent onshore facilities or in locations where the demand for LNG is for small to mid scale LNG import projects or seasonal.

To address a number of the above challenges, floating storage and regasification terminals have been successfully delivered and are now operating.

There are currently six operational FSRU/RV terminals in the world and a further four that have been sanctioned. Of these ten terminals, three are permanently alongside (although two of these, Golar Winter and Golar Spirit, can also transport LNG), one is permanently located offshore (Livorno project using Golar Frost), three use Excelerate Energy vessels as shuttle carriers with alongside discharge, and three are shuttle carrier terminals with regasification and discharge offshore (2 Excelerate Energy and 1 GDF Suez/Höegh LNG).

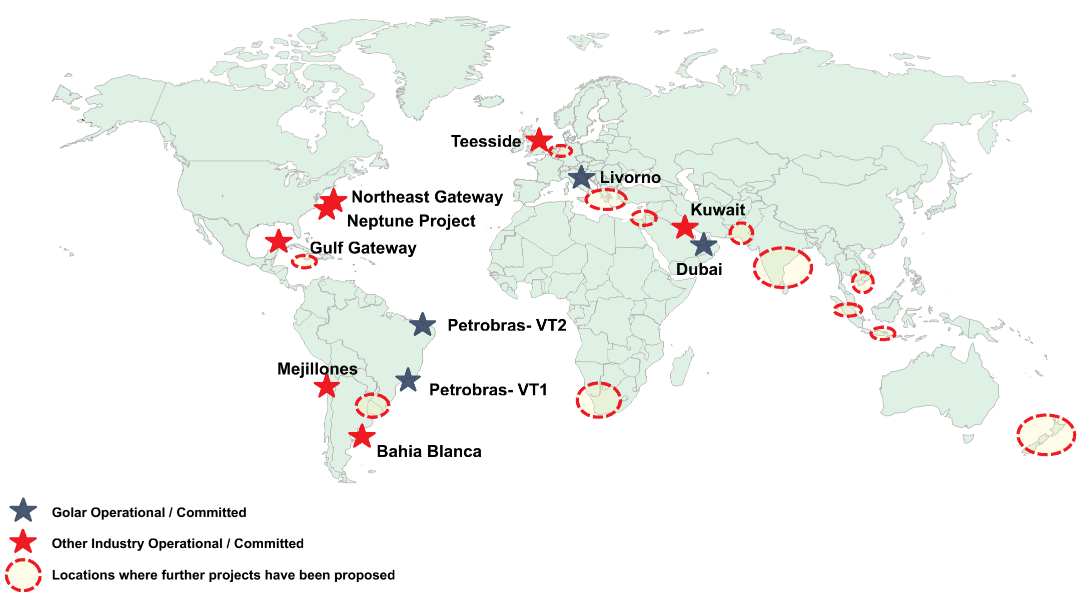


Figure 10. Operational, committed to and proposed floating storage and regasification projects.

Competition – LNG carriers and FSRUs

While the majority of the existing world LNG carrier fleet is employed on long-term charters, there is competition for the employment of vessels whose charters are expiring and for the employment of vessels which are not dedicated to a long-term contract. Competition for long-term LNG charters is based primarily on price, vessel availability, size, age and condition of the vessel, relationships with LNG carrier users and the quality, LNG experience and reputation of the operator. In addition, vessels may operate in the emerging LNG carrier spot market that covers short-term charters of one year or less where there is currently significant competition due to an oversupply of LNG carriers.

While we believe that we are the only independent LNG carrier and FSRU owner and operator that focuses solely on LNG, their independent shipping companies also own and operate LNG carriers and have new vessels under construction including BW Gas ASA (Norway), Exmar S.A. (Belgium), Teekay LNG Partners, L.P, Höegh LNG and three Japanese ship owning groups, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and K Line, which traditionally provided LNG shipping services exclusively to Japanese LNG companies, are now aggressively competing in western markets. In addition, new competitors that have recently entered the LNG shipping market include Maran Gas Maritime and Dynagas Ltd of Greece, A P Moller of Denmark, Overseas Shipholding Group of USA and Knutsen O.A.S Shipping AS of Norway. There are other owners who may also attempt to participate in the LNG market if possible.

In addition to independent LNG operators, some of the major oil and gas producers, including Royal Dutch Shell, BP, and BG own LNG carriers and intermittently contract for the construction of new LNG carriers. National gas and shipping companies also have large fleets of LNG vessels which have and will likely continue to expand. These include Malaysian International Shipping Company, or MISC, National Gas Shipping Company (Abu Dhabi) and Qatar Gas Transport Company, or Nakilat.

FSRUs are in an early stage of their commercial development and thus there is less competition than the more mature commercial market of LNG carriers. However, interest in the sector is expected to increase. Currently, Golar, Exmar, Excelerate Energy, Höegh LNG Mitsui O.S.K. Lines and MISC Berhad are among the companies actively competing for FSRU projects.

Risks Related To Our Business

We generate a substantial majority of our revenue from a limited number of customers under charter agreements; the unanticipated termination or loss of one or more of these agreements or these customers would likely interrupt our related cash flow.

We receive a substantial majority of our revenues and cash flow from a limited number of customers, principally BG and Shell. The loss of any of our customers may have an adverse effect on our business, results of operations and financial condition.

Our growth depends on our ability to expand relationships with existing customers and obtain new customers, for which we will face substantial competition.

One of our principal objectives is to enter into additional short, medium or long-term, fixed-rate LNG carrier or FSRU time charters. The process of obtaining new time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. We cannot be sure of our success in securing such new business.

We operate some of our vessels on fixed-term charters or in the spot/short-term charter market for LNG vessels. Failure to find profitable employment for these vessels, or our other vessels following completion of their fixed-term agreements, could adversely affect our operations.

Currently, we have five vessels contracted on medium or long-term charters, which expire between 2010 and 2011. Our other vessels are available for trade or trading in the spot/short-term charter market, the market for chartering an LNG carrier for a single voyage or short time period of up to one year. However, two of our vessels (one of which we have a 50% equity interest in the Gandria) are currently in lay-up and are unlikely to trade for the balance of 2010. Medium to long-term time charters generally provide reliable revenues although they also limit the portion of our fleet available to the spot/short-term market during an upswing in the LNG industry cycle, when spot/short-term market voyages might be more profitable.

The charter rates payable under time charters or in the spot market may be uncertain and volatile and will depend upon, among other things, economic conditions in the LNG market, which are closely connected to world natural gas prices and energy markets which we cannot predict. The supply and demand balance for LNG carriers and FSRUs is also uncertain. In the period from 2004, the excess supply of vessels over demand has negatively impacted the rates for LNG carriers and we expect this oversupply to continue during 2010 as LNG carriers continue to be delivered ahead of LNG production projects for which they were built. Until these LNG production projects commence and utilize some of these vessels, the supply of LNG carriers is likely to be greater than the demand, which will have a negative impact on charter rates and levels of utilization of LNG carriers in the spot/ short-term charter market. Additionally, the fall in demand for natural gas worldwide due to the current economic climate and the subsequent fall in gas prices could have a negative impact on LNG shipping demand.

We also cannot give any assurance that it will be able to successfully employ our vessels in the future or re-deploy our LNG carriers, whether as LNG carriers or FSRUs following completion of their fixed-term agreements at rates sufficient to allow us to operate its business profitably or meet its obligations. If we are unable to re-deploy an LNG carrier or FSRU, such as the LNG carriers currently in lay-up, we will not receive any revenues from that vessel, but we may be required to pay expenses necessary to maintain the vessel in proper operating condition. A decline in charter or spot rates or a failure to successfully charter our vessels could have a material adverse effect on its results of operations and ability to meet its financing obligations.

The Company's charters with Shell have variable rates and certain termination rights.

Three of our vessels are time chartered to Shell, the Golar Viking, the Golar Grand and the Golar Maria, under five-year charter agreements, which may be terminated by Shell under certain circumstances. The charter rates we earn from these medium-term charters are variable and are directly connected to prevailing market rates. In the event that Shell does not employ the vessels for their own use, they must market the vessels for use by third parties. If Shell cannot find employment for these ships there could be periods where the vessels incur commercial waiting time and do not generate revenues. If these vessels are not employed profitably, or the charters are terminated, our cash flows may be seriously impacted.

We are subject to certain risks with respect to our counterparties on contracts, failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We enter into among other things, charter-parties with our customers, conversion contracts with shipyards, credit facilities with banks, interest rate swaps, foreign currency swaps and equity swaps. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LNG market and charter rates.

An increase in costs could materially and adversely affect our financial performance.

Our vessel operating expenses and drydock capital expenditure depend on a variety of factors including crew costs, provisions, deck and engine stores and spares, lubricating oil, insurance, maintenance and repairs and shipyard costs, many of which are beyond our control and affect the entire shipping industry. These may increase vessel operating and drydocking costs further. If costs continue to rise, they could materially and adversely affect our results of operations.

We may be unable to attract and retain key management personnel in the LNG industry, which may negatively impact the effectiveness of our management and the company's results of operations.

Our success depends to a significant extent upon the abilities and the efforts of our senior executives. While we believe that the company has an experienced management team, the loss or unavailability of one or more of our senior executives for any extended period of time could have an adverse effect on our business and results of operations.

Terrorist attacks, piracy, increased hostilities or war could lead to further economic instability, increased costs and disruption of our business.

Terrorist attacks, such as the attacks that occurred in the United States on September 11, 2001, the bombings in Spain on March 11, 2004, the bombings in London on July 7, 2005, and the current conflict in Afghanistan and other current and future conflicts, may adversely affect our business, operating results, financial condition, ability to raise capital and future growth. Continuing hostilities in the Middle East and elsewhere may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the United States or elsewhere, which may contribute further to economic instability and disruption of natural gas production and distribution, which could result in reduced demand for our services.

Our loan and lease agreements are secured by our vessels and contain operating and financial restrictions and other covenants that may restrict our business and financing activities and our ability to make cash distributions to our shareholders.

As is customary in the maritime industry, covenants in our loan and lease agreements require the consent of our lenders and our lessors or otherwise limit our ability to:

- merge into or consolidate with any other entity or sell or otherwise dispose of all or substantially all of their assets;
- make or pay equity distributions;
- incur additional indebtedness;
- incur or make any capital expenditure;
- materially amend, or terminate, any of our current charter contracts or management agreements; or
- charter our vessels

If Golar LNG's ownership of us falls below 51% a default in some of our debt agreements would occur. Golar LNG continues to guarantee our debt.

If we do not maintain the financial ratios contained in its loan and lease agreements or the Company is in any other form of default such as payment default, we could face acceleration of the due date of its debt and the loss of its vessels.

Our loan and lease agreements require us (and Golar LNG in respect of its guarantees), as is customary in the maritime industry, to maintain specific financial levels and ratios, including minimum amounts of available cash, ratios of current assets to current liabilities (excluding current long-term debt), ratios of net debt to earnings before interest, tax, depreciation and amortization and the level of stockholders' equity and minimum loan to value clauses. Although the Company currently complies with these requirements, if the Company were to fall below these levels it would be in default of its loans and lease agreements and the due date of our debt could be accelerated and its lease agreements terminated, which could result in the loss of our vessels. Our ability to comply with covenants and restrictions contained in its loan and lease agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired.

We may not be able to obtain financing to fund our growth or our future capital expenditures, which could negatively impact our results of operations, financial condition and ability to pay dividends.

In order to fund future FSRUs, liquefaction projects, vessel acquisitions, increased working capital levels or other capital expenditures, we may be required to use cash from operations, incur borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations may reduce the amount of cash available for dividend distributions. Our ability to obtain bank financing or to access the capital markets for any future debt or equity offerings may be limited by our financial condition at the time of such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain funds for future capital expenditures could impact our results of operations, financial condition and our ability to pay dividends. The issuance of additional equity securities would dilute shareholders' interests in the Company and reduce dividends payable. Even if we are successful in obtaining bank financing, paying debt service would limit cash available for working capital and increasing our indebtedness could have a material adverse effect on the company's business, results of operations, cash flows, financial condition and ability to pay dividends.

Servicing our debt and lease agreements substantially limits our funds available for other purposes.

A large portion of our cash flow from operations is used to repay the principal and interest on our debt and lease agreements. We may also incur additional indebtedness to fund our possible expansion into other areas of the LNG industry, for example in respect of our FSRU projects. Debt payments reduce our funds available for expansion into other parts of the LNG industry, working capital, capital expenditures and other purposes.

In addition, our business is capital intensive and requires significant capital outlays that result in high fixed costs. We cannot assure investors that our existing and future contracts will provide revenues adequate to cover all of our fixed and variable costs.

An increase in interest rates could materially and adversely affect our financial performance.

As of December 31, 2009, we had total long-term debt and net capital lease obligations of USD 509 million, net of restricted cash, of which USD 261 million is effectively exposed to a floating rate of interest. We uses interest rate swaps to manage interest rate risk. As of December 31, 2009, our interest rate swap arrangements effectively fix the interest rate exposure on USD 248 million of floating rate bank debt and capital lease obligations. If interest rates rise significantly, our results of operations could be materially and adversely affected. Increases and decreases in interest rates will affect the cost of floating rate debt but may also affect the mark-to-market valuation of interest rate swaps which will also affect our results. Additionally, to the extent that our lease obligations are secured by restricted cash deposits, our exposure to interest rate movements is hedged to a large extent. However, movements in interest rates may require the Company to place more cash into our restricted deposits and this could also materially and adversely affect our results of operations.

Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.

Currency exchange rate fluctuations and currency devaluations could have an adverse effect on our results of operations from quarter to quarter. Historically our revenue has been generated in U.S. Dollars, but we incur capital, operating and administrative expenses in multiple currencies.

We are exposed to foreign currency exchange fluctuations as a result of certain administrative expenses incurred in currencies other than U.S. Dollars, such as GBP, operating expenses incurred in a variety of foreign currencies including Euros and Singapore Dollars, amongst others; and multiple currencies including Euros, Singapore Dollars and Norwegian Krone in respect of our FSRU conversion contracts. If the U.S. Dollar weakens significantly this could increase our expenses and therefore could have a negative effect on our financial results.

Four of our vessels are financed by U.K. tax leases which are denominated in GBPs. The majority of our GBP capital lease obligations are hedged by GBP cash deposits securing the lease obligations.

RISKS RELATED TO THE LNG SHIPPING AND FSRU INDUSTRY

The operation of LNG carriers and FSRUs is inherently risky, and an incident involving significant loss of or environmental consequences involving any of our vessels could harm our reputation and business.

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- Marine disaster;
- Piracy;
- Environmental accidents; and
- Business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labour strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable LNG carrier operator.

The recent global financial crisis could negatively impact our business.

Recently, the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and difficulties characterized by the bankruptcy, failure, or sale of various financial institutions. The ongoing global financial crisis affecting the banking system and financial markets has resulted in a severe tightening in the credit markets, a low level of liquidity in financial markets, and volatility in credit and equity markets.

The recent economic downturn may affect our customers' ability to charter our vessels and pay for our services and may adversely affect our business and results of operations.

The recent economic downturn in the global financial markets may lead to a decline in our customers' operations or ability to pay for our services, which could result in decreased demand for our vessels and services.

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Throughout 2008 and 2009, the frequency of piracy incidents has increased significantly, particularly in the Gulf of Aden off the coast of Somalia.

Our insurance coverage may be insufficient to cover losses that may occur to our property or result from our operations.

The operation of LNG carriers and FSRUs is inherently risky. Although we carry protection and indemnity insurance, all risks may not be adequately insured against, and any particular claim may not be paid. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material.

RISKS RELATED TO OUR SHARES

Golar LNG currently owns approximately 68% of our shares and may have the ability to effectively control the outcome of significant corporate actions.

Golar LNG currently owns approximately 68% of our outstanding common shares. As a result, Golar LNG has the potential ability to effectively control the outcome of matters on which our shareholders are entitled to vote, including the election of all directors and other significant corporate actions.

Fluctuations in the price and volume of shares of listed companies generally could result in the volatility of our share price.

Generally, stock markets have recently experienced extensive price and volume fluctuations, and the market prices of securities of shipping companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of those companies. The market price of our common shares may continue to fluctuate due to factors such as actual or anticipated fluctuations in our quarterly or annual results and those of other public companies in our industry.

Because we are a Bermuda corporation, shareholders may have less recourse against us or our directors than shareholders have against the directors of companies domiciled elsewhere.

Because we are a Bermuda company the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders in other jurisdictions.

Enforcement of civil liability by a shareholder may be difficult.

Our directors and executives reside in various jurisdictions. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or ourselves or to enforce judgments on such persons or ourselves in other jurisdictions.

Golar Energy's parent company is a Bermuda registered company the shares of which are listed on Oslo Axess. As a result, the Company is required to publish an annual statement on the Company's principles for corporate governance in accordance with the Norwegian Code of Practice for Corporate Governance (the "**Code**"), as published by the Norwegian Corporate Governance Board (NUES). The Code is a nonbinding recommendation which all companies listed on Oslo Børs and Oslo Axess are required to relate to on a "comply or explain" basis.

Golar Energy is committed to ensuring that its principles of corporate governance meet the highest standards and generally supports the principles set forth in the Code. As a Bermudian registered company, Golar Energy is, however, primarily subject to Bermudian company law requirements which in some matters differ from the Code. Being subject to two different sets of regulations (Bermuda and Norway), means that the Company will have to rely on certain exceptions from the Code as explained below.

Corporate Governance

The board of Golar Energy (the "**Board**") recognizes the importance of sound corporate governance. Golar Energy has adopted a set of ethical guidelines, reflecting the core values of honesty, respect and cooperation being applied in its behaviour towards competitors, suppliers, shareholders and the market in general. The Board believes that the principles it has implemented and maintains in this respect meet a sound ethical standard.

Business

Golar Energy is subject to Bermudian corporate law, which do not require the activities of the Company being clearly defined in the Company's Bye Law. The Board has however set clear objectives and strategies for the Company's business.

The business of Golar Energy and its subsidiaries (the "Group") is LNG transportation and related activities. A further description of the Group's business, including the overall objectives and current strategy of the Company, is set out in the Management Report.

Equity and dividend

As at December 31, 2009 the issued share capital of Golar Energy was USD 228,343,100, being made up of 228,343,100 shares with a par value of USD 1.00 per share. The Board is of the opinion that the financial standing is appropriate, considering the Company's objectives, strategy and risk profile.

Bermudian company law and the Company's bye-laws 115 to 121 (inclusive) sets forth that the Board may declare cash dividends or distributions out of contributed surplus, and may also pay a fixed cash dividend half yearly or on other dates. Bermudian law permits the Company to declare interim dividends out of profits and retained earnings. This means that the Board has greater flexibility to pay dividends to its shareholders than what is the case for Norwegian companies.

The Company's goal is to achieve a high dividend capacity and maximize shareholder return. The Company has not adopted a policy for fixed dividend payments. Dividend payments will depend on the Company's financial situation, working capital needs and such investment or acquisition possibilities as may present themselves from time to time.

Bermudian company law and the Bye Laws of the Company draw a distinction between the authorised and the issued share capital. The Company's authorised share capital, which sets out the maximum number of shares the Company is authorised to issue, is determined by the General Meeting of the Company. Currently, the Company's authorised share capital is USD 500,000,000, divided into 500,000,000 shares, each with a nominal value of USD 1. Within the limits of the authorised share capital, the Board has full power to issue new shares without pre-emption rights for existing shareholders. The board of a Norwegian limited liability company does not have equivalent powers when it comes to issuing new shares.

The Code sets out that board authorisations to issue new shares should be divided into separate mandates, each to be considered and voted upon by the General Meeting. It is the Company's opinion that these guidelines must be seen in connection with the division of powers between the general meeting and the board of directors in Norwegian companies. Complying with such guidelines would require an amendment to the Company's Bye Laws, and would represent a clear deviation from Bermudian company law and tradition. The Company will therefore maintain its current practice where the Board has greater flexibility to issue new shares than what is the case under Norwegian law.

Bermudian company law allows a company to repurchase its own shares for cancellation or to be held as treasury shares. This right is also reflected in the Company's Bye-Laws (Bye-Laws 11, 12 and 13). Norwegian companies holding of own shares is restricted to a maximum of 10% of the total share capital, and requires a specific authorisation from the General Meeting. No such limitations exists in Bermudian law. Repurchase of the Company's shares is only limited if there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due. In addition, if the Company purchases its own shares, the amount due to a shareholder (i) may be paid in cash, (ii) be satisfied by the transfer or any part of the undertaking or property of the Company having the same value, or (iii) a combination of (i) and (ii).

Equal treatment of the shareholders

Golar Energy has only one class of shares, all carrying equal rights.

Under Bermudian law, existing shareholders do not have any preferred right to subscribe for new shares that are issued. Golar Energy will, if acquiring its own shares, always do this through purchases on Oslo Axess at the prevailing stock exchange price.

The Company's policy is to enter into related party transactions solely on terms that are at least as favourable to the Company as those that can be obtained when contracting with an unrelated third party. Thus any contracts entered into between the Company and related parties are always made on arm's length market terms. It follows from the Bermudian Companies Act that an officer or director of the Company shall, at the first available opportunity, notify the Board of their interest in any material contract to which the Company intends to become a party or any person that is a party to a material contract of the Company. Further the Company's Bye-Laws contain (in Bye-Law 92) specific provisions addressing director's interests.

Freely negotiable shares

Subject to (i) Bermudian company law, (ii) the terms of the Company's Bye-Laws 36 to 37, inclusive, which deal with transfer of shares and (iii) the terms of any applicable United States securities laws (including the United States Securities Act 1933), Golar Energy's shares are freely transferable, provided that the shares are listed on an appointed stock exchange (which terms includes Oslo Axess).

The Company's Bye-Law 37 (ii) gives the Board the option to decline to register the transfer of any shares if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

General meeting

The bye-laws of Bermudian companies are generally extensive and regulate in detail matters relating to the internal management and activities of the company. The Company's Bye-Laws 55 to 58 (inclusive) deal extensively and in detail with matters concerning general meetings of the Company, including the rights of shareholders. These bye-laws cover annual and special general meetings, notice of general meetings, proceedings at general meetings, voting rights, and proxies and corporate representatives.

The Company's general meetings are open to all of the Company's shareholders, and are held on an annual basis (with special general meetings being convened when required). The notice period for both annual and special general meetings is, under Bye-Law 56, no less than 7 days. Notice shall be given in writing. This notice period extends the statutory period under Bermudian law. Shareholders may exercise their vote through a representative or proxy. The Company's Bye-Laws 80 to 85 (inclusive) specifically address proxies and corporate representatives. Bye-Law 85 permits the Board, subject to the Bermudian Companies Act, to waive any of the provisions of the Bye-Laws related to proxies or authorizations. In particular, the Board may accept verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any shareholder at general meetings. All shares have equal voting rights.

Nomination committee

The Board of Golar Energy acts as the Company's nomination committee, and is thus nominating candidates for election as directors. In addition, shareholders have a Common Law right under Bermuda law to put forward nominations. This Common Law right is modified by section 79 of the Bermuda Companies Act which provides a framework within which shareholder(s) may put resolutions before a general meeting.

Corporate assembly and board of directors

There is no requirement under Bermuda law for the Company to establish a corporate assembly.

The Board currently consists of five directors, all of which are independent of the Company's management. Three of the directors, Tor Olav Trøim, Kate Blankenship and John Fredriksen are related to Golar Energy's main shareholder, Golar LNG. Paul Adams and Gary Smith are independent of the main shareholder.

The Company believes that in the context of its business and operations it is important to have a small and focused board with a close working knowledge of Golar Energy's strategy and operations and the ability to react quickly when a situation so requires. The current composition of the Board satisfies these needs.

The Board is constantly evaluating the necessity to establish sub-committees. The Board can delegate its powers to committees under the Company's Bye-Laws 98 to 100 (inclusive). The size and focus of the Board and the direct communication between the management and the Board supports the view of the Board that sub-committees are not presently required. The Board evaluates its work and competence constantly and adopts any required changes, always with a view to protecting the interests of the Company.

In accordance with the Company's Bye-Law 86, and subject to the Bermudian Companies Act, directors hold office until the first annual general meeting following their election or until a successor is elected. The Company's Bye-Law 88 provides that the shareholder, in a special general meeting, may remove a director provided that notice of the meeting has been given to the director not less than 14 days before the date of the meeting. Such director is entitled to be heard at the special general meeting. The shareholders may elect a person to replace the director so removed and, in the event they do not, the Board can appoint a temporary director. The Board can appoint a new director to fill a casual vacancy until the annual general meeting.

The Board of directors' work

The Board receives quarterly financial reports for the Company with comments on the Group's economic and financial status. The Board discusses strategy and investment opportunities in meetings held as often as is required. The Board holds 4 - 6 regular meetings each year. The Board attends to the organization of the Group, institutes plans and budgets and ensures that the Company's accounting and financial administration are in good order. The Board also actively supervises the day to day management of the Company's operations.

In cases where directors have a personal or other direct interest, such director will abstain from deliberation and voting on the issue.

The Company has no permanent deputy chairman, but if the Chairman is an interested party another director will be appointed to chair the meeting by the other directors.

Risk management and internal control

In general, the Board ensures that all necessary controls of the Group's business are carried out. This includes processes for internal controls, external audit, strategic assessments, business assessments, and management resources. The Company's risk management and internal control systems are evaluated yearly by the Board.

Compensation to the board of directors and executive employees

Golar Energy has no compensation committee. Directors' fees are determined by the Company's general meeting by ordinary resolution, based on a recommendation by the Board. The Company's Bye-Law 91 deals with directors' fees and additional remuneration and expenses. The compensation to the directors reflects their experience, their work load and the complexity of Golar Energy's business.

Golar Energy has not, at present, established any written guidelines for the remuneration of the members of its executive management. The remuneration to executive management is considered by the Board to be in line with market practice and prevailing market conditions.

The day-to-day management of the Company is undertaken by the Company's subsidiary Golar Energy Management Ltd and Golar LNG subsidiary Golar Management Ltd under the terms of a written management agreements. The management and employees of Golar Energy Management Ltd and Golar Management are experienced and qualified to perform the management tasks allocated to them.

The Company operates a share option incentive program for the Group's directors and senior employees. The general terms of the share option program have been approved by the Board.

Information and communication

Golar Energy is obliged to comply with the information requirements of Oslo Axess. All information relevant to the Company's share price is published to the market through Hugin Connector and Oslo Axess. The information is also made available immediately on the Company's website. The Company publishes all reports, presentations given by the management and dates for financial releases on its website.

Golar Energy will publish annual and quarterly reports at its website. The Company acknowledges the importance of providing shareholders, and the equity market in general, with correct and relevant information about the Company and its activities.

Change of Control, takeovers

The Bye-Laws of Golar Energy do not include any mechanisms that hinder a takeover or deter takeoverbids. However, the Board will, in case of a takeover-bid, take such actions that are in the best interests of the shareholders, such as advising the shareholders by way of an assessment of the bid and, if appropriate, seeking to find a competing bidder.

If a take-over bid was made for Golar Energy's shares it is the opinion of the Board that the shareholders of the Company should be treated equally and provided with sufficient information and time to consider the offer.

Auditor

The Company's independent auditor is PricewaterhouseCoopers LLP. The auditor is elected by the General Meeting.

The Company employs the same auditing firm as all its subsidiaries. The auditor provides a statement to the Board each year in connection with the annual audit.

Report of Independent Auditors

To the Board of Directors and shareholders of Golar LNG Energy Ltd:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of operations, shareholders' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of Golar LNG Energy Ltd and its subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. Also in our opinion, the parent company financial statements included on pages 67 through 80 present fairly, in all material respects, the financial position of Golar LNG Energy Ltd as of December 31, 2009, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/S/ PricewaterhouseCoopers LLP
West London
United Kingdom
April 30, 2010

GOLAR LNG ENERGY LIMITED
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Consolidated Statement of Operations for the period ended December 31, 2009
(in thousands of $, except per share data)

	Note	Jul – Dec (1) 2009
Operating revenues		
Time charter revenues		33,867
Total operating revenues		**33,867**
Operating expenses		
Vessel operating expenses		10,569
Voyage expenses		3,809
Administrative expenses		6,380
Depreciation and amortization		14,174
Total operating expenses		**34,932**
Operating loss		**(1,065)**
Financial income (expenses)		
Interest income		2,229
Interest expense		(9,011)
Other financial items, net	6	504
Net financial expenses		**(6,278)**
Loss before equity in net earnings of investees, income taxes and gain on sale of investees		**(7,343)**
Gain on sale of investees	11	8,355
Income taxes	7	(120)
Equity in net earnings of investees		(3,140)
Net loss		**(2,248)**
Per common share amounts:		
Basic and diluted	8	$(0.01)

Footnotes:
1. Refer to note 1 on Page 41.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the period ended December 31, 2009
(in thousands of $)

	Note	**Jul – Dec (1) 2009**
Net loss		**(2,248)**
Other comprehensive (loss) income:		
Unrealized net loss on qualifying cash flow hedging instruments		(1,237)
Unrealized gains on marketable securities		9,942
Other comprehensive income		**8,705**
Comprehensive income		**6,457**

Footnotes:
1. Refer to note 1 on Page 41.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet as of December 31, 2009
(in thousands of $)

	Note	**2009**
ASSETS		
Current assets		
Cash and cash equivalents		70,761
Restricted cash	12	16,726
Other current assets	13	12,376
Amounts due from related parties, holding company and affiliates		58,201
Total current assets		**158,064**
Long-term assets		
Restricted cash	12	342,868
Equity in net assets of non-consolidated investees	10	21,244
Vessels and equipment, net	14	471,231
Vessels under capital leases, net	15	432,793
Other long-term assets	16	31,157
Total assets		**1,457,357**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	19	42,990
Current portion of obligations under capital leases	20	4,751
Other current liabilities	17	40,089
Amounts due to related parties, holding company and affiliates	18	100,570
Total current liabilities		**188,400**
Long-term liabilities		
Long-term debt	19	367,909
Long-term portion of obligations under capital leases	20	452,695
Other long-term liabilities	21	15,768
Total liabilities		**1,024,772**
Equity		
Stockholders' equity		432,585
Total liabilities and equity		**1,457,357**

Footnotes:
1. Refer to note 1 on Page 41.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the period ended December 31, 2009
(in thousands of $)

	Note	Jul – Dec (1) 2009
Operating activities		
Net loss		**(2,248)**
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization		14,174
Amortization of deferred charges		301
Equity in net earnings of investees		3,140
Drydocking expenditure		(3,197)
Gain on sale of investee		(8,355)
Change in market value of interest rate derivatives		(315)
Unrealized foreign exchange gain		(6)
Stock based compensation		216
Change in operating assets and liabilities		8,508
Amount due to holding company and affiliates		42,929
Net cash provided by operating activities		**55,147**
Investing activities		
Additions to vessels and equipment		(56,611)
Cash assumed in purchase of subsidiaries		14,158
Net proceeds from sale of non controlling investee		11,010
Long-term restricted cash		196
Net cash used in investing activities		**(31,247)**
Financing activities		
Repayments of long-term capital lease obligation		(978)
Loan to parent company		(55,000)
Receipts from repayment by parent company of loan		1,375
Repayments of long-term debt		(13,928)
Proceeds from the issuance of equity, net of issue costs paid		115,392
Net cash provided by financing activities		**46,861**
Net increase in cash and cash equivalents		**70,761**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period		**70,761**

Footnotes:
1. Refer to note 1 on Page 41.

The accompanying notes are an integral part of these consolidated financial statements.

Statement of Changes in Equity for the period ended December 31, 2009
(in thousands of $)

	Share Capital	Warrant Reserve	Additional Paid in Capital	Accumulated Other Comprehensive Income	Accumulated deficit	Total Stockholders' Equity
At incorporation	**-**	**-**	**-**	**-**	**-**	**-**
Issue of ordinary shares and warrants, net of issuance costs	228,343	9,000	215,049	-	-	452,392
Purchase of subsidiaries and assets from holding company and affiliates, entities under common control (see Note 3(b))	-	-	(26,557)	-	-	(26,557)
Net loss	-	-	-	-	(2,248)	(2,248)
Other comprehensive	-	-	-	8,705	-	8,705
Share Options	-	-	218	-	-	218
Gain on issuance of shares by investees	-	-	75	-	-	75
Balance at December 31, 2009	**228,343**	**9,000**	**188,785**	**8,705**	**(2,248)**	**432,585**

Footnotes:

1. In connection with the corporate restructuring, the Company successfully completed a private placement offering in August 2009 raising USD 110 million proceeds, gross of fees and issuing 223.5 million common shares in Golar Energy, of which 168.5 million shares were issued to Golar LNG, at a subscription price of $2 per share, in consideration for the transfer of assets to the Company. Attached to the offering was a "green shoe" option, whereby Fearnley Fonds ASA (the "Manager"), who have been retained by Golar Energy as its financial advisor, were granted an over allotment option. In September 2009, the Manager exercised its greenshoe option to subscribe for 4.8 million new common shares at a subscription price of USD 2 per share, raising a further USD 9.7 million of proceeds. Accordingly, as of December 31, 2009, Golar LNG holds a 73.8% interest in the issued share capital of Golar Energy.
2. The Company incurred fees and offering expenses attributable to the corporate restructuring and private placement of approximately USD 4.3 million which is recognized as a reduction in owner's additional paid-in capital.
3. In connection with the private placement, 12 million warrants were issued to the private subscribers at an exercise price of USD 2 per share which can only be exercised on December 15, 2010. Accordingly, based on a fair value of the warrants of USD 0.75 each, this has given rise to an adjustment as of December 31, 2009 of USD 9.0 million to the warrant reserve.
4. Golar Energy was incorporated on June 22, 2009. The company was dormant until August 12, 2009, being the completion date of the corporate restructuring whereby it acquired the interests in wholly owned subsidiaries and certain other assets of Golar LNG.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. BACKGROUND AND FORMATION

Golar LNG Energy Limited (the "Company" or "Golar Energy") was formed as a wholly owned subsidiary of Golar LNG Limited ("Golar" or "Golar LNG") on June 22, 2009, under the laws of Bermuda. On August 12, 2009 the Company completed its corporate restructuring and private placement offering, whereby it acquired the interests in wholly owned subsidiaries of Golar, which collectively own interests in eight liquefied natural gas ("LNG") vessels, a 50% equity interest in another LNG carrier and certain other investments. Golar Energy is a publicly listed Bermudian company, listed in Norway on the Oslo Axess specializing in the acquisition, ownership, operation and chartering of LNG carriers and floating storage regasification units ("FSRUs") and the development of liquefaction projects. As of December 31, 2009, Golar Energy operated a fleet of seven LNG carriers and one FSRU and had a 50% equity interest in another LNG carrier.

Further details of the corporate restructuring and private placement offering are provided below:

- Golar LNG transferred to the Company capital stock in its wholly owned subsidiaries and other equity interests in investments, in exchange for 168.5 million new common shares in the Company at a subscription price of $2 per share, giving rise to consideration of $337 million and deferred consideration ("seller's credit").
- Immediately subsequent to the corporate restructuring described above the Company issued 59.9 million new common shares to private institutional investors at a subscription price of $2 per share as part of the private placement resulting in aggregate gross proceeds to the Company of $119.7 million. This includes $9.7 million of proceeds relating to the 4.8 million additional shares issued under the "greenshoe" option which were exercised in September 2009 in connection with the private placement.
- In connection with the private placement 12 million warrants were also issued to private investors. Each warrant gives the holder the right to subscribe for one new share in the Company at a subscription price of $2 per share. The warrants can only be exercised on December 15, 2010.

The Company's ordinary shares are listed on the Oslo Axess Exchange. Golar LNG Limited currently owns 68% of Golar Energy's ordinary shares.

2. ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Investments in companies in which the Company directly or indirectly holds more than 50% of the voting control are consolidated in the financial statements, as well as certain variable interest entities in which the Company is deemed to be subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. All inter-company balances and transactions are eliminated.

A variable interest entity is defined by the appropriate accounting standard as a legal entity where either (a) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

The guidance further states a variable interest entity to be consolidated if any of its interest holders are entitled to a majority of the entity's residual returns or are exposed to a majority of its expected losses. See note 19, describing the arrangements under the Gracilis Loan facility and note 20 in respect of the Four Ship Leases.

Investments in companies over which the Company exercises significant influence but, does not control are accounted for using the equity method. The Company records its investments in equity-method investees on the Consolidated Balance Sheets as "Equity in net assets of non-consolidated investees" and its share of the investees' earnings or losses in the Consolidated Statements of Operations as "Equity in net earnings of investees." The difference, if any, between the purchase price and the book value of the Company's investments in equity method investees is included in the accompanying Consolidated Balance Sheet in "Equity in net assets of non-consolidated investees."

Investments in which the Company has a majority interest but in which it does not control, due to the participating rights of noncontrolling interests, are accounted for using the equity method.

In connection with the corporate restructuring and private placement offering completed in August 2009 and the acquisition of the Golar Freeze, Golar was granted an option to reacquire the vessel from the Company following its conversion to a FSRU. The Company also has an identical option to sell the vessel back to Golar. In the event this option is exercised the consideration to be paid by Golar shall equal the aggregate of the original deferred consideration ("seller's credit) and the incremental conversion cost of the vessel.

Revenue and expense recognition

Revenues include minimum lease payments under time charters, fees for repositioning vessels as well as the reimbursement of certain vessel operating and drydocking costs. Revenues generated from time charters, which are classified as operating leases by the Company, are recorded over the term of the charter as service is provided.

Reimbursement for drydocking costs is recognized evenly over the period to the next drydocking, which is generally between two to five years. Repositioning fees (which are included in time charter revenue) received in respect of time charters are recognized at the end of the charter when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the charter, which is not dependent upon redelivery location, the fee will be recognized evenly over the term of the charter. Where a vessel undertakes multiple single voyage time charters, revenue is recognized, including the repositioning fee if fixed and determinable, on a discharge-to-discharge basis. Under this basis, revenue is recognized evenly over the period from departure of the vessel from its last discharge port to departure from the next discharge port. Under time charters, voyage expenses are paid by the Company's customers. Voyage related expenses, principally fuel, may also be incurred when positioning or repositioning the vessel before or after the period of time charter and during periods when the vessel is not under charter or is off hire, for example when the vessel is undergoing repairs. These expenses are recognized as incurred.

Vessel operating expenses, which are recognized when incurred, include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and third party management fees.

Earnings per share

In accordance with the guidance relevant for "Earnings per Share", basic earnings per share ("EPS") is computed based on the income available to common stockholders and the weighted average number of shares outstanding for basic EPS. Treasury shares are not included in the calculation. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Operating leases

In accordance with the relevant guidance, initial direct costs (those directly related to the negotiation and consummation of the lease) are deferred and allocated to earnings over the lease term. Rental income and expense are amortized over the lease term on a straight-line basis.

Income taxes

Income taxes are based on a separate return basis. The guidance prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. On adoption of this guidance there was no change to the Company's financial position.

Deferred tax assets and liabilities are recognized principally for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Realization of the deferred income tax asset is dependent on generating sufficient taxable income in future years.

Comprehensive Income

The Company follows the relevant guidance in Reporting Comprehensive Income and its components in the Consolidated Financial Statements.

As at December 31, 2009, included within the Company's stockholders' equity is accumulated other comprehensive loss, which consists of the following:

(in thousands of $)	2009
Unrealized net loss on qualifying cash flow hedging instruments	(1,237)
Unrealised gains on marketable securities	9,942
	8,705

Cash and cash equivalents

The Company considers all demand and time deposits and with original maturities of three months or less to be equivalent to cash.

Restricted cash

Restricted cash consist of bank deposits, which may only be used to settle certain lease payments.

Inventories

Inventories, which are comprised principally of fuel, lubricating oils and ship spares, are stated at the lower of cost or market value. Cost is determined on a first-in, first-out basis.

Vessels

Vessels are stated at cost less accumulated depreciation. The cost of vessels less the estimated residual value is depreciated on a straight-line basis over the assets' remaining useful economic lives.

Refurbishment costs incurred during the period are capitalized as part of vessels and depreciated over the vessels' remaining useful economic lives. Refurbishment costs are costs that appreciably increase the capacity, or improve the efficiency or safety of vessels. Drydocking expenditures are capitalized when incurred and amortized over the period until the next anticipated drydocking, which is generally between two and five years. For vessels that are newly built or acquired, the Company has adopted the "built-in overhaul" method of accounting. The built-in overhaul method is based on the segregation of vessel costs into those that should be depreciated over the useful life of the vessel and those that require drydocking at periodic intervals to reflect the different useful lives of the components of the assets. The estimated cost of the drydocking component is amortized until the date of the first drydocking following acquisition, upon which the cost is capitalized and the process is repeated.

Useful lives applied in depreciation are as follows:

Vessels	40 years
Deferred drydocking expenditure	two to five years

Vessels under capital lease

The Company leases certain vessels under agreements that have been accounted for as capital leases in accordance with the guidance on Accounting for Leases. Obligations under capital leases are carried at the present value of future minimum lease payments, and the asset balance is amortized on a straight-line basis over the remaining economic useful lives of the vessels. Interest expense is calculated at a constant rate over the term of the lease.

Deferred credit from capital leases

In accordance with the guidance on Accounting for Sales with Leasebacks, income derived from the sale of subsequently leased assets is deferred and amortized in proportion to the amortization of the leased assets (See note 20). Amortization of deferred income is offset against depreciation and amortization expense in the Consolidated Statement of Operations.

Impairment of long-lived assets

In accordance with the guidance on the Impairment or Disposal of Long-Lived Assets, the Company continually monitors events and changes in circumstances that could indicate carrying amounts of longlived asset may not be recoverable. When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets.

The Company assessed the potential impairment of its vessels and long-lived assets by comparing the expected undiscounted cash flows of its long-lived assets to their respective carrying values. The Company concluded there was no impairment of its long-lived assets as of the fourth quarter of 2009. The outlook for the world economy is currently uncertain and therefore it is possible that the Company's business prospects could decline over the next year. This could represent a triggering event for a further assessment of the carrying value of the Company's long-lived assets and may lead to a write-down of these assets.

Deferred charges

Costs associated with long-term financing, including debt arrangement fees, are deferred and amortized over the term of the relevant loan. Amortization of deferred loan costs is included in "Other financial items, net" in the Consolidated Statement of Operations. If a loan is repaid early, any unamortized portion of the related deferred charges is charged against income in the period in which the loan is repaid.

Cost method investments

Cost method investments are unlisted investments in which the Company holds less than a 20% interest and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company records these investments within “Other non-current assets” in the Consolidated Balance Sheet.

Derivatives

The Company uses derivatives to reduce market risks associated with its operations. The Company uses interest rate swaps for the management of interest rate risk exposure. The interest rate swaps effectively convert a portion of the Company's debt from a floating to a fixed rate over the life of the transactions without an exchange of underlying principal.

All derivative instruments are initially recorded at cost as either assets or liabilities in the accompanying Consolidated Balance Sheet and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative. Where the fair value of a derivative instrument is a net liability, the derivative instrument is classified in “Other current liabilities” in the Consolidated Balance Sheet. Where the fair value of a derivative instrument is a net asset, the derivative instrument is classified in “Other non-current assets” in the Consolidated Balance Sheet, except if the current portion is a liability, in which case the current portion is included in “Other current liabilities.” The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designed to hedge a specific risk and also qualifies for hedge accounting. The Company commenced hedge accounting for certain of its interest rate swap arrangements designated as cash flow hedges in accordance with the guidance for Derivatives and Hedging Activities. For derivative instruments that are not designated or do not qualify as hedges, the changes in fair value of the derivative financial instrument are recognized in earnings and recorded each period in current earnings in “Other financial items, net.”

When a derivative is designated as a cash flow hedge, the Company formally documents the relationship between the derivative and the hedged item. This documentation includes the strategy risk and risk management for undertaking the hedge and the method that will be used to assess effectiveness of the hedge. If the derivative is an effective hedge changes in the fair value are initially recorded as a component of accumulated other comprehensive income in stockholders’ equity. The ineffective portion of the hedge is recognized immediately in earnings, as are any gains or losses on the derivative that are excluded from the assessment of hedge effectiveness. The Company does not apply hedge accounting if it is determined that the hedge was not effective or will no longer be effective, the derivative was sold or exercised, or the hedged item was sold or repaid.

In the periods when the hedged items affect earnings, the associated fair value changes on the hedged derivatives are transferred from stockholders’ equity to the corresponding earnings line item on the settlement of a derivative. The ineffective portion of the change in fair value of the derivative financial instrument is immediately recognized in earnings. If a cash flow hedge is terminated and the originally hedged item is still considered probable of occurring, the gains and losses initially recognized in stockholders’ equity remain there until the hedged item impacts earnings at which point they are transferred to the corresponding earnings line item (i.e. interest expense). If the hedged items are no longer probable of occurring, amounts recognized in invested equity are immediately reclassified to earnings.

Cash flows from derivative instruments that are accounted for as cash flow hedges are classified in the same category as the cash flows from the items being hedged.

Foreign currencies

The Company’s and its subsidiaries’ functional currency is the U.S. dollar as all revenues are received in U.S. dollars and a majority of the Company’s expenditures are made in U.S. dollars. The Company’s reporting currency is U.S. dollars.

Transactions in foreign currencies during the period are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction and translation gains or losses are included in the Consolidated Statements of Operations.

Fair Value measurements

The Company accounts for fair value measurements in accordance with the FASB guidance using the fair value to measure assets and liabilities. The guidance provides a single definition of fair value, together with a framework for measuring it and requires additional disclosure about the use of fair value to measure assets and liabilities.

Gain on issuance of shares by investees

The Company recognizes a gain or loss when an equity method investee issues its stock to third parties at a price per share in excess or below its carrying value resulting in a reduction in the Company's ownership interest in the investee. The gain or loss is recorded in the line "Invested Equity."

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3. SUBSIDIARIES AND INVESTMENTS

(a) Principal Group Investments

The following table lists the Company's principal subsidiaries and their purpose as at December 31, 2009. We own 100 per cent of each subsidiary.

Name	Jurisdiction of Incorporation	Purpose
Golar Gas Holding Company Inc.	Marshall Islands	Holding Company and leases four vessels
Golar LNG 1460 Corporation	Marshall Islands	Owns *Gracilis*
Golar LNG 2216 Corporation	Marshall Islands	Owns *Golar Arctic*
Golar LNG 2226 Corporation	Marshall Islands	Leases *Grandis*
Golar LNG 2234 Corporation	Republic of Liberia	Owns *Granosa*
Golar Chartering Limited	United Kingdom	Holding Company of four vessels
Golar Khannur (UK) Limited	United Kingdom	Operates *Khannur*
Golar Gimi (UK) Limited	United Kingdom	Operates *Gimi*
Golar 2226 (UK) Limited	United Kingdom	Operates *Grandis*
Golar Hilli (UK) Limited	United Kingdom	Operates *Golar Hilli*
Golar FSRU 2 Corporation	Marshall Islands	Agent for the conversion of the *Golar Freeze* into a FSRU
Golar FSRU 4 Corporation	Marshall Islands	Provides contribution for the conversion of the *Golar Freeze*.
Golar Energy Management Limited	Bermuda	Management
Golar Energy Limited	Cyprus	Holds licence for the construction of a floating power station for the generation of electricity.
Golar Offshore Toscana Limited	Cyprus	Holds investment in associate, OLT Offshore LNG Toscana S.p.A

(b) Restructuring and Acquisitions

As a result of the corporate restructuring and private placement offering completed on August 12, 2009, the Company acquired the capital stock and other equity interests in wholly owned subsidiaries of Golar LNG, which collectively own interests in eight liquefied natural gas vessels, a 50% equity interest in another LNG carrier and certain other investments (see Note 1 and 3(a)).

The net assets acquired from Golar LNG at the completion date were settled by the Company through:

(i) The issuance of 168.5 million new shares in the Company, valued at USD 337 million,

(ii) Cash receipt of USD 5.6 million resulting from working capital adjustments pursuant to the Framework Agreement,

(iii) Deferred consideration ("seller's credit") valued at USD 34.4 million, and

The following table sets out the book values of the identifiable assets and liabilities acquired as at August 12, 2009:

	Book Value
(in thousands of $)	
Current assets	
Cash and cash equivalents	14,158
Restricted cash	17,197
Other current assets	4,947
Total current assets	**36,302**
Long-term assets	
Restricted cash	348,146
Equity in net assets of non-consolidated investees	30,138
Vessels and equipment, net	816,306
Other long-term assets	61,328
Total assets	**1,292,220**
Current liabilities	
Current portion of long-term debt	(44,099)
Current portion of obligations under capital leases	(4,192)
Other current liabilities	(25,303)
Amounts due to holding company	(21,829)
Total current liabilities	**(95,423)**
Long-term liabilities	
Long-term debt	(380,729)
Long-term portion of obligations under capital leases	(459,792)
Other long-term liabilities	(17,100)
Total liabilities	**(953,044)**
Net assets	339,176
Additional paid in capital **(i)**	26,557
	365,733
Satisfied by:	
Value of shares issued **(ii)**	337,000
Cash receipt from working capital adjustments **(iii)**	(5,635)
Deferred consideration ("Seller's credit") **(iv)**	34,368
	365,733

(i) Additional paid in capital

The additional paid in capital arising on completion date is the difference between total consideration paid and value of the net assets acquired. The consideration paid value took into account the market value of shares acquired in the investee LNG Limited; exclusion of certain deferred long-term lease income not paid for by the Company, and movement in net assets acquired between the original valuation date of June 30, 2009 and completion date of August 12, 2009.

(ii) Shares issued

The Company issued 168,500,100 new ordinary shares to Golar LNG, at a subscription price of USD 2 per share in exchange for Golar LNG's transfer to Golar Energy of the capital stock and other equity interests in certain of its wholly owned subsidiaries, a 50% equity interest in another LNG carrier and certain other investments. This consideration has been estimated based on the June 30, 2009 Balance Sheets of the acquired businesses as well as taking into account a market value adjustment for shares acquired in the investee LNG Limited and excluding certain deferred long-term lease income not paid for by the Company.

(iii) Cash receipt from working capital adjustments

Pursuant to the Framework Agreement, the Company was required to ascertain the appropriate working capital balances of the acquired businesses at completion date of August 12, 2009 and compare these balances against their June 30, 2009 Balance Sheets. This resulted in Golar LNG paying the Company an amount in cash equal to the shortfall.

(iv) Deferred consideration ("Seller's credit")

In connection with the corporate restructuring, the Company has acquired the Golar Freeze vessel. Golar LNG was granted an option to reacquire this vessel from the Company following its conversion to a FSRU, which is expected to be in 2010. The Company also has an identical option to sell the Golar Freeze vessel to Golar LNG. In the event this option is exercised the consideration to be paid by the Company shall equal the aggregate of the original deferred consideration ("seller's credit") and the incremental conversion cost of the vessel.

4. RECENTLY ISSUED ACCOUNTING STANDARDS

Effective July 2009, the Financial Accounting Standards Board ("FASB") codified accounting literature into a single source of authoritative accounting principles, except for certain authoritative rules and interpretive releases issued by the SEC. Since the codification did not alter existing U.S. GAAP, it did not have an impact on the Company's consolidated financial statements. All references to pre-codified U.S. GAAP have been removed from these financial statements.

In June 2009, the FASB issued new guidance relating to the accounting for transfers of financial assets. The purpose of this guidance is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. These requirements are effective for us for transfers occurring on or after January 1, 2010. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In June 2009, the FASB issued new guidance relating to the consolidation of variable interest entities. This guidance changes how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated and requires a company to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. This guidance is effective for interim and annual periods beginning after November 15, 2009. The Company does not have any significant interests in variable interest entities and therefore does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In October 2009 the FASB issued new guidance related to revenue recognition for arrangements with multiple deliverables and those which include software elements. The issues address certain aspects of the accounting by the vendor that involve more than one deliverable or unit of accounting. The guidance will allow companies to allocate arrangement consideration in multiple deliverable arrangements in a manner that better reflects the transaction's economics and will remove non-software components of tangible products and certain software components of tangible products from the scope of existing software revenue guidance. For contracts with software elements this will result in the recognition of revenue similar to that for other tangible products. This guidance is effective for annual periods beginning after June 15, 2010. Early adoption is permitted and may be prospective or retrospective. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

5. SEGMENTAL INFORMATION

The Company has not presented segmental information as it considers it operates in one reportable segment, the LNG vessel market. During 2009, the vast majority of the Company's fleet operated under time charters and in particular with two charterers, Shell and BG Group plc. Shell and BG Group Plc are both head quartered in the United Kingdom. In time charters, the charterer, not the Company, controls the choice of which routes the Company's vessel will serve. These routes can be worldwide. Accordingly, the Company's management, including the chief operating decision makers, does not evaluate the Company's performance either according to customer or geographical region.

In the period ended December 31, 2009 revenues from the following customers accounted for over 10% of the Company's consolidated revenues:

(in thousands of $)	Jul – Dec 2009	
Shell	19,116	56%
BG Group plc	9,460	28%

6. OTHER FINANCIAL ITEMS, NET

(in thousands of $)	Jul – Dec 2009
Amortization of deferred financing costs	(301)
Change in market value for interest rate swap derivatives (See note 2 and note 22)	922
Foreign exchange gain on capital lease obligations and related restricted cash, net	7
Foreign exchange (loss) gain on operations	(4)
Finance arrangement fees and other costs	(120)
	504

Mark-to-market adjustments including gains and losses arising on derivatives entered into by Golar have been allocated either on the basis of the Company's proportion of Golar's debt, other than those which are separately identifiable and specifically for the benefit of the Company, or based on the number of vessels in Golar's fleet. For the period ended December 31, 2009 the amounts allocated to the Company were a gain of $0.9 million.

7. TAXATION

The Company adopted the relevant guidance in Accounting for Uncertainty in Income Taxes which did not result in any change to the Company's liability for unrecognized tax benefits.

The components of income tax expense are as follows:

(in thousands of $)	Jul – Dec 2009
Current tax expense:	
U.S.	-
U.K.	120
Total income tax expense	120

Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2016.

United States

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the Company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country which grants an equivalent exemption from income taxes to U.S. citizens and U.S. corporations and must be more than 50% owned by individuals who are residents, as defined, in such country or another foreign country that grants an equivalent exemption to U.S. citizens and U.S. corporations. The management of the Company believes that it satisfied these requirements and therefore by virtue of the above provisions, it was not subject to tax on its U.S. source income.

A reconciliation between the income tax expense resulting from applying either the U.S. Federal or Bermudan statutory income tax rate and the reported income tax expense has not been presented herein as it would not provide additional useful information to users of the consolidated financial statements as the Company's net income is subject to neither Bermuda nor U.S. tax.

United Kingdom

Current taxation charge of $0.1 million for the period ended 31 December 2009 relates to taxation of the operations of the Company's United Kingdom subsidiaries. Taxable revenues in the U.K. are generated by U.K. subsidiary companies of Golar and are comprised of management fees received from Golar group companies as well as revenues from the operation of five of the Company's vessels. These vessels are subleased from other non-U.K. Golar companies, which in turn are leased from financial institutions. The statutory tax rate in the U.K. is currently 28%.

The Company records deferred income taxes to reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recorded $nil deferred tax assets or liabilities as at December 31, 2009.

Other jurisdictions

No tax has been levied on income derived from the Company's subsidiaries registered in Liberia, the Marshall Islands and the British Virgin Islands.

8. EARNINGS PER SHARE

Basic earnings per share for the period ended December 31, 2009 is calculated with reference to the weighted average number of common shares outstanding during the year. Treasury shares are not included in the calculation. The computation of diluted EPS for the period ended December 31, 2009, assumes the conversion of potentially dilutive instruments.

The components of the numerator for the calculation of basic and diluted EPS are as follows:

(in thousands of $)	2009
Net (loss) available to stockholders – basic	(2,248)
	(2,248)

The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

(in thousands)	2009
Basic earnings per share:	
Weighted average number of shares	228,343
Weighted average number of treasury shares	-
Weighted average number of common shares outstanding	228,343
Diluted earnings per share:	
Weighted average number of common shares outstanding	228,343
Effect of dilutive share options	-
Common stock and common stock equivalents	228,343

(Loss) earnings per share are as follows:

	2009
Basic & Diluted	$(0.01)

As of December 31, 2009, stock options representing rights to acquire 3.9 million shares, of common stock were excluded from the calculation of diluted loss or earnings per share because the effect was antidilutive. Stock options are anti-dilutive when the exercise price of the stock option is greater than the average market price of the common stock or when the results from operations are a net loss.

9. OPERATING LEASES

Rental income

The minimum contractual future revenues to be received on time charters as of December 31, 2009, were as follows:

Year ending December 31, *(in thousands of $)*	Total
2010	25,644
2011	-
2012	-
2013	-
2014	-
2015 and thereafter	-
Total	25,644

The carrying value of vessels leased to third parties at December 31, 2009 million, $558.3 million.

10. EQUITY IN NET EARNINGS AND ASSETS OF NON-CONSOLIDATED INVESTEES

As at December 31, 2009 the Company had the following participation in investments that are recorded using the equity method:

	2009
Bluewater Gandria NV ("Bluewater Gandria")	50%
Liquefied Natural Gas Limited ("LNGL") (1)	-
Egyptian Company for Gas Services S.A.E ("ECGS")	50%

(1)LNGL ceased to be accounted for under the equity method during the period ended December 31, 2009. Please refer to note 16

The carrying amounts of the Company's investments in its equity method investments as at December 31, 2009:

(in thousands of $)	2009
Bluewater Gandria	20,142
ECGS	1,102
Equity in net assets of non-consolidated investees	21,244

The components of equity in net assets of non-consolidated investees are as follows:

(in thousands of $)	2009
Cost	24,207
Equity in net earnings of investees	(2,963)
Equity in net assets of non-consolidated investees	21,244

Quoted market prices for ECGS and Bluewater Gandria are not available because shares in ECGS and Bluewater Gandria are not publicly traded.

Bluewater Gandria

Bluewater Gandria is a newly incorporated unlisted company, which has been formed for the purposes of pursuing opportunities to develop offshore LNG FSRU projects. In August 2009, as part of the Golar LNG restructuring, the Company acquired 3,000 shares in Bluewater Gandria N.V. from Golar LNG at a cost of $22.3 million (representing approximately 50 per cent of the issued share capital of that company, and indirectly representing a 50 per cent ownership interest in the vessel "Gandria"); Accordingly, the Company has adopted the equity method of accounting for its 50% investment in Bluewater Gandria, as it considers it has joint significant influence.

ECGS

ECGS is a newly incorporated unlisted company, which has been set up to develop hydrocarbon business and in particular LNG related business in Egypt. In August 2009, as part of Golar LNG restructuring, the Company acquired 50,000 shares in ECGS from Golar LNG at a cost of $1.0 million (representing approximately 50 per cent of the issued share capital of that company). Accordingly, the Company has adopted the equity method of accounting for its 50% investment in ECGS, as it considers it has joint significant influence.

LNGL

In April 2006, Golar LNG signed an agreement with LNGL, an Australian publicly listed company, to subscribe for 23 million of its shares in two tranches, at A$0.50 per share. Golar LNG purchased the first tranche of 13.95 million shares in May 2006, at a cost of $5.1 million, and the second tranche in June 2006, at a cost of $3.5 million. The consideration paid in excess of the fair value of Golar LNG's share of net assets acquired, amounted to $7.5 million and has been recognized as goodwill. Pursuant to the issuance of shares by LNGL, as of December 31, 2008 and 2007 Golar LNG held a 15.96% and 16.97% interest, in LNGL, respectively. LNGL is a company focused on acting as a link between previously discovered but uncommercial gas reserves and potential new energy markets. Golar LNG has adopted the equity method of accounting for its investment in LNGL on the basis that it considered it had significant influence as demonstrated by its Board representation and position as LNGL's largest shareholder. On restructuring of Golar LNG which took place on August 12, 2009 the investment was then transferred to Golar LNG Energy Limited ("Golar Energy"), for further details on this refer to page F-10. Subsequently in November 2009, Golar Energy sold 9.6 million LNG Limited shares which reduced its shareholding to approximately 6.3% of LNG Limited's issued share capital. The sale realised funds of approximately $11 million and resulted in an accounting profit of $8.4 million. As a consequence of the dilution of the Company's interest to 6.3% in 2009 and other notable factors, the Company concluded that it no longer held significant influence. Accordingly, the Company changed its accounting treatment of the investment from the equity method to the cost basis as of November 10, 2009.

11. GAIN ON ISSUANCE OF SHARES BY INVESTEES

For the period ended December 31, 2009, as shown below:

(in thousands of $)	Jul – Dec 2009
LNG Limited ("LNGL")	8,355
	8,355

In November 2009, the Company sold of 9.6 million LNG Limited shares which reduces its shareholding to approximately 6.3% of LNG Limited's issued share capital. The sale realised cash proceeds of approximately $11 million and resulted in a gain arising on sale of investees of $8.4 million. As a consequence of the dilution of the Company's interest to 6.3% in 2009 and other notable factors, the Company concluded that it no longer held significant influence. Accordingly, the Company changed its accounting treatment of the investment from the equity method to the cost basis as of November 10, 2009.

12. RESTRICTED CASH

(in thousands of $)	2009
Short-term restricted cash	16,726
Long-term restricted cash	342,868

Restricted cash does not include minimum consolidated cash balances required to be maintained as part of the financial covenants in some of the Company's loan facilities, as these amounts are included in "Cash and cash equivalents."

As at December 31, 2009, the value of deposits used to obtain letters of credit to secure the obligations for the lease arrangements described in note 20 was $359.6 million. These security deposits are referred to in these consolidated financial statements as restricted cash and earn interest based upon GBP LIBOR for the Four Ships Leases and based upon USD LIBOR for the Grandis Lease. The Company's restricted cash balances in respect of its lease obligations are as follows:

(in thousands of $)	2009
Four Ship Leases security deposits	314,586
Grandis Lease security deposits	45,008
Total security deposits for lease obligations	359,594
Included in short-term restricted cash	(16,726)
Long-term restricted cash	342,868

13. OTHER CURRENT ASSETS

(in thousands of $)	2009
Trade accounts receivable	5,717
Inventories	3,981
Accrued interest income	676
Other receivables	1,503
Prepaid expenses	499
	12,376

As of December 31, 2009 there was no provision for doubtful debts.

14. VESSELS, NET

(in thousands of $)	2009
Cost	518,248
Accumulated depreciation	(47,017)
Net book value	471,231

The net book value of the Drydocking costs of $5.8 million are included in the cost amounts above as of December 31, 2009. Accumulated amortization of those costs as of December 31, 2009 is $3.4 million. Depreciation and amortization expense for the years ended December 31, 2009 is $15.5 million.

As at December 31, 2009, vessels with a net book value of $471.2 million respectively were pledged as security for certain debt facilities (See note 19).

15. VESSELS UNDER CAPITAL LEASES, NET

(in thousands of $)	2009
Cost	594,197
Accumulated depreciation and amortization	(161,404)
Net book value	432,793

As of December 31, 2009 the Company operated five vessels under capital leases. These leases are in respect of a refinancing transaction undertaken during 2003 and another in 2005.

The net book value of the Drydocking costs of $4.8 million are included in the cost amounts above as of December 31, 2009. Accumulated amortization of those costs at December 31, 2009 was $11.3 million.

Depreciation and amortization expense for vessels under capital leases for the period ended December 31, 2009 was $9.7 million.

16. OTHER LONG-TERM ASSETS

(in thousands of $)	2009
Other cost-method investments	23,805
Deferred charges	5,108
Other	2,244
Other long-term assets	31,157

Other investments relate to the Company's investment in LNG Limited ("LNGL"), TORP Technology AS ("TORP Technology") and in OLT–O which arose following their acquisitions by the Company during the corporate restructuring of the Golar LNG group in August 2009. On the basis that the Company holds no significant influence in these businesses as demonstrated by its Board representation and position as shareholder at the end of the year, the Company has accounted for its investment in these companies under the cost method of accounting.

LNGL is a company focused on acting as a link between previously discovered but uncommercial gas reserves and potential new energy markets. Shares in LNGL are publicly traded. In August 2009, the Golar Energy group acquired 23 million shares in LNG Limited (representing approximately 13.6 per cent of the issued share capital of that company) with book value of $7.7 million from Golar LNG. In November 2009, the Company sold 9.6 million LNG Limited shares which reduced its shareholding to approximately 6.3 per cent of LNG Limited's issued share capital. As a consequence of this dilution of the Company's interest and other notable factors, the Company concluded that it no longer held significant influence. Accordingly, the Company has accounted for this investment under the cost method basis as at the end of the year. As of December 31, 2009 the Company's investment in LNGL was $13.5 million.

TORP Technology is a Norwegian registered unlisted company, which is involved in the construction of an offshore regasification terminal in the US Gulf of Mexico. In August 2009, the Company acquired 535,175 shares in TORP Technology (representing approximately 14.7 per cent of the issued share capital of that company on a fully diluted basis) at a cost of $3.0 million from Golar LNG.

OLT-O is an Italian incorporated unlisted company, which is involved in the construction, development, operation and maintenance of a Floating Storage Regasification Unit ("FSRU") terminal to be situated off the Livorno coast of Italy. In August 2009, the Company acquired OLT-O at a cost of $7.3 million from Golar LNG.

Deferred charges represent financing costs, principally bank fees that are capitalized and amortized to other financial items over the life of the debt instrument. If a loan is repaid early any un-amortized portion of the related deferred charges is charged against income in the period in which the loan is repaid. The deferred charges are comprised of the following amounts:

(in thousands of $)	2009
Debt arrangement fees and other deferred financing charges	8,340
Accumulated amortization	(3,232)
	5,108

Amortization expense of deferred charges for the period ended December 31, 2009 was $0.3 million.

The other long term assets relate to a number of long lead items which were purchased for use in future FSRU conversion projects.

17. OTHER CURRENT LIABILITIES

(in thousands of $)	2009
Trade accounts payable	7,152
Interest expense	4,082
Vessel operating and drydocking expenses	1,715
Administrative expenses	2,994
Provision for taxes	35
Deferred charter hire revenue	610
Marked-to-market interest rate swaps valuation (See note 22)	16,242
Deferred credits from capital lease transactions (See note 21)	2,640
Other creditors	4,619
	40,089

Other creditors balance for the year ended December 31, 2009 includes among other things charterhire that has been received in advance of the year end which relates to 2010.

18. AMOUNTS OWED TO OWNERS AND AFFILIATES

(in thousands of $)	2009
Trading operations	63,223
Deferred consideration ("Seller's credit")	37,347
	100,570

Amounts owed to owners and affiliates are unsecured, interest-free and intended to be settled in the ordinary course of business. They relate to recharges for operating expenses paid on behalf of the Company.

By virtue of the acquisition of Golar Gas Holding Company Inc., the company that leases the "Golar Freeze" vessel, Golar Energy has also acquired the "Golar Freeze", a vessel scheduled to be converted into an FSRU, and in addition has acquired the company holding its conversion contracts. Golar Energy will carry out the conversion of "Golar Freeze". This acquisition was financed by way of a seller's credit (deferred consideration) from Golar LNG to the Company (i.e. an amount owed to Golar LNG in respect of the acquisition of the assets and liabilities, including a share of the debt, within the companies holding the "Golar Freeze"). Both Golar LNG and the Company have been granted options to buy/ sell the *Golar Freeze* vessel following the vessel's FSRU conversion, expected in 2010.

Golar LNG is obligated to fund and/or guarantee funding for the "Golar Freeze" remaining conversion cost and debt service costs during the period to redelivery.

It is therefore expected that upon redelivery as an FSRU, the "Golar Freeze" will be transferred to Golar LNG in consideration of the extinguishment of seller's credit (including debt) and the funded amounts.

19. DEBT

(in thousands of $)	2009
Total long-term debt due to third parties	410,899
Less: current portion of long-term debt due to third parties	(42,990)
Long-term debt	367,909

The outstanding debt as of December 31, 2009 is repayable as follows:

Year ending December 31, *(in thousands of $)*	
2010	42,990
2011	76,934
2012	14,400
2013	14,400
2014	93,925
2015 and thereafter	168,250
Total	410,899

The Company's debt is denominated in U.S. dollars and bears floating interest rates. The weighted average interest rate for the year ended December 31, 2009 was 3.28%.

As of December 31, 2009, the margins the Company pays under its loan agreements are over and above LIBOR at a fixed or floating rate range from 0.70% to 1.00%.

At December 31, 2009, the Company's debt was as follows:

(in thousands of $)		Maturity date
Golar Gas Holding facility	90,015	2011
Granosa facility	104,525	2014
Golar Arctic facility	111,250	2015
Gracilis facility	105,109	2017
	410,899	

The facilities listed below were assumed by the Company from Golar LNG on the 12th of August 2009 following a group restructuring.

Golar Gas Holding facility

In May 2001, Golar LNG a secured loan facility was entered into with a banking consortium for an amount of $325 million and in October 2002 entered into a secured subordinated loan facility for an amount of $60 million. These loans were first re-financed in April 2003 and again in March 2005 when a subsidiary entered into a refinancing transaction with a banking consortium in respect of these loans. The new first priority loan (the "Golar Gas Holding facility") is for an amount of $300 million. The total amount outstanding at the time of the refinancing was $242.3 million. The loan accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan is currently secured by the assignment to the lending banks of a mortgage given to Golar by the lessor of the four vessels that are part of the Four Ship Leases (See note 20). The loan has a term of six years and is repayable in 24 quarterly installments with a final balloon payment of $55.7 million due on April 14, 2011.

Gracilis facility

In January 2005 Golar LNG entered into a loan agreement with a bank for an amount of $120 million for the purpose of financing newbuilding hull number 1460, the *Golar Viking* (formerly known as the Gracilis). This facility was refinanced in August 2007. The refinanced loan ("Gracilis facility") is for an amount of $120 million.

The structure of the Gracilis facility is such that the bank loaned funds of $120 million to Golar LNG, which was then re-loaned to a newly created entity of the bank, ("Investor Bank"). With the proceeds, Investor Bank then subscribed for preference shares in a subsidiary. Another Golar LNG company issued a put option in respect of the preference shares. The effect of these transactions is that Golar Energy is required to pay out fixed preference dividends to the Investor Bank and the Investor Bank is required to pay fixed interest due on the loan from Golar LNG to Investor Bank. The interest payments to Golar by Investor Bank are contingent upon receipt of these preference dividends. In the event these dividends are not paid, the preference dividends will accumulate until such time as there are sufficient cash proceeds to settle all outstanding arrearages.

The Gracilis facility accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus a margin. The loan has a term of 10 years and is repayable in 39 quarterly instalments with a final balloon payment of $71.0 million due on July 17, 2017. The loan is secured by a mortgage on this vessel. The facility remains loaned by the bank to Golar LNG. On August 12, 2009 Golar LNG and a subsidiary of Golar Energy entered into arrangements to transfer the benefits and obligations of the facility to the Golar Energy Group.

Granosa facility

In April 2006, a loan agreement was signed with a bank for an amount of $120 million for the purpose of financing newbuilding hull number 2234, the *Maria* (formerly known as the Granosa), which is secured by a mortgage on this vessel. The facility bears floating interest rate of LIBOR plus a margin and had an initial term of five years with quarterly repayments on the loan commencing September 15, 2006. In March 2008, the facility was restructured to lower the margin and to extend the term of the facility to December 2014, with a revised final balloon payment of $80.8 million due in December 2014.

Golar Arctic facility

In January 2008, a secured loan facility was entered into for an amount of $120 million, for the purpose of financing the purchase of the LNG carrier, the *Golar Arctic* (formerly known as the *Granatina*), which we refer to as the Golar Arctic facility. The facility bears a floating rate of interest of LIBOR plus a margin, has an initial term of seven years and is repayable in 27 quarterly instalments commencing April 2008 with a final balloon payment of $86.3 million payable on January 14, 2015.

Certain of the Company's debt are collateralized by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. The existing financing agreements impose operating and financing restrictions which may significantly limit or prohibit, among other things, the Company's ability to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of the Lenders. In addition, Lenders may accelerate the maturity of indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including a failure to comply with any of the covenants contained in the financing agreements. Various debt agreements of the Company contain certain covenants, which require compliance with certain financial ratios. Such ratios include equity ratio covenants working capital ratios, minimum value clauses, net debt to earnings before interest, taxes, depreciation and amortisation and minimum free cash restrictions. As of December 31, 2009, and 2008, the Company complied with the debt covenants of its various debt agreements.

20. CAPITAL LEASES

(in thousands of $)	2009
Total long-term obligations under capital leases	457,446
Less: current portion of obligations under capital leases	(4,751)
Long term obligations under capital leases	452,695

The capital leases discussed below were assumed by the company from Golar LNG on August 12, 2009 following the group restructuring. As at December 31, 2009 Golar operated five vessels under capital leases. These leases were assumed by the Company in August 2009 following a group restructuring. The leases are in respect of one refinancing transactions undertaken during 2003 and another during 2005.

The first leasing transaction, which took place in April 2003, was the sale of five 100 per cent owned subsidiaries to a financial institution in the United Kingdom (UK). The subsidiaries were established in Bermuda specifically to own and operate one LNG vessel as their sole asset. Simultaneous to the sale of the five entities, Golar LNG leased each of the five vessels under five separate lease agreements ("Four Ship Leases"). Golar LNG determined that the entities that owned the vessels under the Four Ship leases were variable interest entities in which Golar LNG had a variable interest and was the primary beneficiary. Upon transferring the vessels to the financial institutions, Golar LNG measured the subsequently leased vessels at the same amounts as if the transfer had not occurred, which was cost less accumulated depreciation at the time of transfer. The four vessels referred to above have been transferred to the Company (the "Four Ships Leases").

The second leasing transaction, which occurred in April 2005, was in relation to hull number 2226 (*Grand, formerly known as the Grandis*). Golar LNG novated the *Grand* newbuilding contract prior to completion of construction and leased the vessel from the same financial institution in the UK ("Grandis Lease").

The Company's obligations to the lessors under the Four Ship Leases are primarily secured by letters of credit ("LC") provided by other banks. The Company's obligations to the lessor of the Grandis Lease are partly secured by a LC. Details of the security deposits provided by the Company to the banks providing the LC's are given in Note 12.

As at December 31, 2009, the Company is committed to make quarterly minimum rental payments under capital leases, as follows:

Year ending December 31, *(in thousands of $)*	Four ship Leases	Grandis Lease	Total
2010	16,726	9,324	26,050
2011	21,041	9,324	30,365
2012	22,093	9,324	31,417
2013	23,198	9,324	32,522
2014	24,358	9,324	33,682
2015 and thereafter	425,619	212,555	638,174
Total minimum lease payments	533,035	259,175	792,210
Less: Imputed interest	(218,535)	(116,229)	(334,764)
Present value of minimum lease payments	314,500	142,946	457,446

The profiles of the Four Ship Leases are such that the lease liability continues to increase until 2008 and thereafter decreases over the period to 2023 being the primary term of the leases. The interest element of the lease rentals is accrued at a rate based upon floating British Pound (GBP) LIBOR.

The Grandis Lease is for a primary period of 30 years, expiring January 2036. The lease liability is reduced by lease rentals from inception. The interest element of the lease rentals is accrued at a rate based upon floating rate USD LIBOR. In contrast to the Four Ship leases the Grandis lease obligation and the cash deposits securing the lease obligation are denominated in USD. However, the cash deposits securing the lease obligation are significantly less than the lease obligation itself. As of December 31, 2009, the Company had entered into interest rate swaps of $72 million to fix the interest rate in respect of its Grandis lease obligations for a period of seven years.

21. OTHER LONG-TERM LIABILITIES

Deferred credits from capital lease transactions

(in thousands of $)	2009
Deferred credits from capital lease transactions	29,966
Less: Accumulated amortization	(11,558)
	18,408
Short-term	2,640
Long-term	15,768
	18,408

In connection with the Four Ship Leases entered into in the year ended December 31, 2003 (See note 20), the Company has recorded an amount representing the difference between the net cash proceeds received upon sale of the vessels and the present value of the minimum lease payments. The amortization of the deferred credit for the period is offset against depreciation and amortization expense in the Consolidated Statement of Operations. The deferred credits represent the upfront benefits derived from undertaking finance in the form of UK leases. The deferred credits are amortized over the remaining estimated useful economic lives of the vessels to which the leases relate on a straight-line basis.

22. FINANCIAL INSTRUMENTS

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has entered into swaps that convert floating rate interest obligations to fixed rates, which from an economic perspective hedge the interest rate exposure. The Company does not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are major banking and financial institutions. Credit risk exists to the extent that the counterparties are unable to perform under the contracts; however the Company does not anticipate nonperformance by any of its counterparties.

The Company manages its debt and capital lease portfolio with interest rate swap agreements in U.S. dollars to achieve an overall desired position of fixed and floating interest rates. The Company has hedge accounted for certain of its interest rate swap arrangements designated as cash flow hedges. The net gains and losses have been reported in a separate component of accumulated other comprehensive income to the extent the hedges are effective. The amount recorded in accumulated other comprehensive income will subsequently be reclassified into earnings in the same period as the hedged items affect earnings. As at December 31, 2008, the Company does not expect any material amounts to be reclassified from accumulated other comprehensive income to earnings during the next twelve months.

During the period ended December 31, 2009 the Company did not recognize any amounts in earnings relating to the ineffective portion of its interest rate swap agreements.

As of December 31, 2009, the Company has entered into the following interest rate swap transactions involving the payment of fixed rates in exchange for LIBOR as summarized below. The summary also includes those that are designated as cash flow hedges:

Instrument *(in thousands of $)*	Notional value	Maturity Dates	Fixed Interest Rates
Interest rate swaps:			
Receiving floating, pay fixed	248,875	2010- 2015	4.06% to 4.65%

At December 31, 2009 the notional principal amount of the debt and capital lease obligations outstanding subject to such swap agreements was $249 million.

Foreign currency risk

The majority of the vessels' gross earnings are receivable in U.S. dollars. The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. However, the Company incurs expenditure in other currencies. Certain capital lease obligations and related restricted cash deposits of the Company are denominated in British Pounds. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cash flows.

A net foreign exchange loss arose in the period ended December 31, 2009 as a result of the retranslation of the Company's capital lease obligations and the cash deposits securing those obligations. Further foreign exchange gains or losses will arise over time in relation to Golar's capital lease obligations as a result of exchange rate movements. Gains or losses will only be realized to the extent that monies are, or are required to be withdrawn or paid into the deposits securing our capital lease obligations or if the leases are terminated.

Fair values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2009 is as follows:

(in thousands of $)	2009 Carrying Value	2009 Fair Value
Non-Derivatives:		
Cash and cash equivalents	70,761	70,761
Restricted cash	16,726	16,726
Long-term restricted cash	342,868	342,868
Long-term cost method (unlisted investments)	10,347	N/a
Long-term cost method (listed investments)	13,458	13,458
Short-term debt – floating	42,990	42,990
Long-term debt – floating	367,909	367,909
Short-term obligations under capital leases	4,751	4,751
Long-term obligations under capital leases	452,695	452,695
Derivatives:		
Interest rate swaps - liability	16,242	16,242

The carrying value of cash and cash equivalents, which are highly liquid, is a reasonable estimate of fair value.

The estimated fair value for restricted cash is considered to be equal to the carrying value since they are placed for periods of less than six months. The estimated fair value for long-term restricted cash is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

As at December 31, 2009, the Company did not identify any events or changes in circumstances that would indicate the carrying value of its unlisted investments in both TORP Technology and OLT–O were not recoverable (See note 18). Accordingly, the Company did not estimate the fair value of these investments as at December 31, 2009.

The estimated fair value for floating long-term debt is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

The estimated fair values of long-term lease obligations under capital leases are considered to be equal to the carrying value since they bear interest at rates, which are reset on a quarterly basis.

The fair value of the Company's derivative instruments is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates and the creditworthiness of the Company and its swap counterparties.

The following table summarizes the valuation of the Company's financial instruments by the guidance on fair value measurements pricing levels as of December 31, 2009:

(in thousands of $)	Quoted market prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Interest rate swaps – liability position	-	16,242	16,242
Marketable Securities	13,458	-	13,458

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The guidance further states that the fair value measurement of a liability must reflect the non-performance risk of the entity. Therefore, the impact of the Company's creditworthiness has also been factored into the fair value measurement of the derivative instruments in a liability position.

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents, restricted cash and shortterm investments to the extent that substantially all of the amounts are carried with Nordea Bank of Finland PLC, Bank of Scotland, Alliance & Leicester and Fokus Bank. However, the Company believes this risk is remote.

During the period ended December 31, 2009, two customers accounted for all of the total operating revenues of the company. These revenues and associated accounts receivable are derived from its time charters with Shell and BG Group plc. The Company considers the credit risk of BG Group plc and Shell to be low.

During the period ended December 31, 2009 Shell, BG Group plc and Citi Global Markets each accounted for more than 10% of gross revenue.

During 2009, Shell, BG Group plc and Citi Global Markets accounted for revenues of $19.1 million, $9.5 million and $4.8 million respectively.

23. SHARE CAPITAL AND SHARE OPTIONS

The Company's ordinary shares are listed on the Oslo Axess Stock Exchange.

As at December 31, 2009, authorised and issued share capital is as follows:

Authorized share capital:

(in thousands of $, except per share data)	2009
500,000,000 common shares of $1.00 each	500,000

Issued share capital:

(in thousands of $, except per share data)	2009
228,343,100 outstanding issued common shares of $1.00 each	228,343

The unissued shares are at the disposal of the Board of Directors.

All issued shares in the Company are vested with equal shareholder rights in all respects. There is only one class of shares in the Company. All shares are freely transferable, limited by a restriction that the Company may refuse transfers leading to more than 50% of the shares being held by Norwegian shareholders.

Share options

On October 23, 2009 Golar Energy issued share options to directors and employees totalling 3,940,000 at a strike price of $2.20. The new options issued vest over a period of two years and eight months.

As at December 31, 2009, all the Company's share options are classified as equity.

The fair value of each option award is estimated on the grant date or modification date using the Black-Scholes option pricing model. The weighted average assumptions used are noted in the table below.

	At grant date 2009
Risk free interest rate	1.7%
Expected volatility of common stock	60.9%
Expected dividend yield	0.0%
Expected life of options (in years)	3.3 years

The assumption for expected future volatility is based primarily on an analysis of historical volatility of the Company's common stock. The Company uses the simplified method for making estimates as to the expected term of options, based on the vesting period of the award and represents the period of time that options granted are expected to be outstanding. The dividend yield has been estimated at 0% as the exercise price of the options, granted in 2009 are reduced by the value of dividends, declared and paid on a per share basis. During 2009 no dividends were paid.

A summary of option activity as at December 31, 2009 are presented below:

(in thousands of $, except per share data)	Shares (In '000s)	Weighted average exercise price	Weighted average remaining contractual term (years)
On incorporation at 12 August 2009	-	-	-
Granted during the period	3,940	$2.20	-
Options outstanding at December 31, 2009	3,940	$2.20	2.5
Options exercisable at:			
December 31, 2009	-	-	-

The exercise price of all options is reduced by the amount of the dividends declared and paid; the above figures for options granted, exercised and forfeited show the average of the prices at the time of granting, exercising and forfeiting of the options, and for options outstanding at the beginning and end of the year the average of the reduced option prices is shown.

As at December 31, 2009, the intrinsic value of outstanding share options was $nil million.

A summary of the status of the Company's non-vested share option activity and related information for the period ended December 31, 2009 follows:

(in thousands of $, except per share data)	Shares (In '000s)	Weighted average fair value at grant date or modified date
On incorporation at 12 August 2009	-	-
Granted during the period	3,940	$0.89
Options non-vested at December 31, 2009	3,940	$0.89

The total fair value of share options vested in the period ended December 31, 2009 was $nil million.

Compensation cost of $0.2m million for the period ended December 31, 2009. As of December 31, 2009, the total unrecognized compensation cost relating to options outstanding of $3.3 million is expected to be recognized over a weighted average period of 2.4 years.

In connection with the private placement 12 million warrants were also issued to private investors. Each warrant gives the holder the right to subscribe for one new share in the Company at a subscription price of $2 per share. The warrants can only be exercised on December 15, 2010 (See note 1).

24. RELATED PARTY TRANSACTIONS

The Company has the following balances with related parties as at December 31, 2009:

(in thousands of $)	2009
Short-term loan receivable	53,625
Trading operations	(57,453)
Frontline (see below)	58
Seller's credit (see Note 18)	(37,347)
	(41,117)

Receivables from related parties:

(in thousands of $)	2009
Frontline	58

Receivables and payables with related parties arise when the Company pays an invoice on behalf of a related party and vice versa. Receivables and payables are generally settled quarterly in arrears.

Frontline Ltd., Golar LNG and World Shipholding are defined as related parties due to the significant influence of a single shareholder and common directors on the boards of each company.

Receivables from (payables to) holding company and affiliates:

The short-term loan receivable of $53.6 million is due from Golar LNG and is unsecured and bears interest at LIBOR plus 3%.

Amounts of $57.4 million due to holding company and affiliates under trading operations are unsecured, interest-free and intended to be settled in the ordinary course of business.

Historically, the Company has been an integrated part of Golar LNG. As such, the Bermudan and London office locations of Golar LNG have provided general and corporate management services for the Company as well as other Golar LNG entities and operations. Management has allocated administrative expenses and pension costs (including stock based compensation costs) and other financial items related to these operations primarily based on the number of vessels in Golar's fleet.

Golar Energy has entered into a management agreement with Golar Management Limited under which Golar Management will provide management services to Golar Energy. The services provided by Golar Management under this agreement are charged at a cost plus basis. Golar Energy may terminate the agreement by twelve months' prior written notice. The Company is in the process of establishing its own management company, with the intention that this will gradually assume the management functions currently provided by Golar Management. Management fees allocated to the Company and included within administrative expenses were $1.9 million for the period ended December 31, 2009.

All agreements and transactions with related parties are deemed to be executed on an arm's length basis.

Golar LNG has guaranteed the obligations under certain financing agreements of certain subsidiaries of Golar Energy acquired as part of the restructuring of Golar LNG and transfer of assets to Golar Energy. These guarantees were given at a time when the respective subsidiaries were owned by Golar LNG. No guarantee commission is payable for these guarantees. If Golar LNG, inter alia, is in default of its obligations under the guarantee, is in default in respect of another financial agreement, is insolvent, ceases to own 51% of Golar Energy or the Golar Energy subsidiary borrower or if (in most cases) Golar LNG's main shareholder ceased to own 25% of Golar LNG, then the Golar Energy subsidiary borrower would be in default under the relevant loan agreements. Golar LNG also guarantees Golar Energy's obligations under the BG charters and Shell charters.

Golar LNG and the Company have entered into certain agreements in respect of the Golar Freeze vessel. By virtue of the acquisition of Golar Gas Holding Company Inc., the company that leases the *Golar Freeze* vessel, Golar Energy has also acquired the *Golar Freeze*, a vessel scheduled to be converted into an FSRU, and in addition has acquired the company holding its conversion contracts. Golar Energy will carry out the conversion of *Golar Freeze*. Golar Energy's balance sheet has therefore assumed the assets and liabilities (including the debt) relating to the *Golar Freeze*. However, Golar Energy's balance sheet as December 31, 2009 contains a seller's credit of $37.3 million in respect of the *Golar Freeze* (i.e. an amount owed to Golar LNG in respect of the acquisition of the assets and liabilities, including a share of the debt, within the companies holding the *Golar Freeze*, which represents deferred consideration.

Golar LNG is obligated to fund and/or guarantee funding for the *Golar Freeze* remaining conversion cost and debt service costs during the period to redelivery. Golar Energy agreed to loan Golar LNG funds for this purpose at market terms. Golar LNG has an option to acquire *Golar Freeze* and Golar Energy has an option to put the vessel to Golar LNG, if Golar LNG has not exercised its option to acquire by 30 September, 2010. It is therefore expected that upon redelivery as an FSRU, the *Golar Freeze* will be transferred to Golar LNG in consideration of the extinguishment of sellers credit (including debt) and the funded amounts. The reason why the Golar Freeze was initially transferred to Golar Energy is that Golar Energy will take over the expertise required for FSRU conversion projects and is therefore best placed to complete the conversion. Additionally, the *Golar Freeze* is part of the same financing / leasing arrangements as several of the vessels Golar Energy acquired

(*Hilli*, *Gimi* and *Khannur*, the vessels leased by Golar Gas Holding Company), and it was therefore not practicable to separate it from those vessels until the FSRU conversion has been completed.

Golar LNG and the Company have also entered into an arrangements in relation to the financing of the Golar Viking (see Note 19).

25. CAPITAL COMMITMENTS

Vessel Conversion

In April 2008, the Company entered into a time charter agreement with DUSUP, which requires the conversion of the *Golar Freeze* into a FSRU. Accordingly, as of December 31, 2009, the Company had a commitment to incur costs in connection with the retrofit of the *Golar Freeze* into a FSRU. In addition, as of December 31, 2009, the Company had committed to incur $2.5 million for equipment in connection with the speculative conversion of the *Hilli*.

As at December 31, 2009, the estimated timing of the remaining payments in connection with these conversions are due to be paid as follows:

(in thousands of $)	
Payable in 12 months to December 31, 2010	52,634
	52,634

26. OTHER COMMITMENTS AND CONTINGENCIES

Assets Pledged

(in thousands of $)	December 31, 2009
Book value of vessels secured against long-term loans and capital leases	904,024

Other Contractual Commitments and contingencies

Insurance
The Company insures the legal liability risks for its shipping activities with Gard and Skuld. Both are mutual protection and indemnity associations. As a member of a mutual association, the Company is subject to calls payable to the associations based on the Company's claims record in addition to the claims records of all other members of the association. A contingent liability exists to the extent that the claims records of the members of the association in the aggregate show significant deterioration, which results in additional calls on the members.

Tax lease benefits
The benefits under lease financings are derived primarily from tax depreciation assumed to be available to lessors as a result of their investment in the vessels. If that tax depreciation ultimately proves not to be available to the lessors, or is clawed back from the lessor as a result of any adverse tax changes to legislation affecting the tax treatment of the leases for the UK lessors or a successful challenge by the UK Revenue authorities to the tax assumptions on which the transactions were based, or in the event the Company terminates one or more of its leases, the Company would be required to return all or a portion of, or in certain circumstances significantly more than the upfront cash benefits that it received, together with fees that were financed in connection with its lease financing transactions, post additional security or make additional payments to its lessors. As at December 31, 2009, the total unamortized balance of deferred credits from capital lease transactions (See note 20) was $18.4 million. A termination of any of these leases would realize the accrued currency gain or loss. As at December 31, 2009, this resulted in an immaterial net accrued gain.

In connection with the corporate restructuring and private placement offering in August 2009 the agreements are such that Golar LNG will retain all the risks and potential benefits associated with any termination of the existing leasing arrangements and associated LC deposits in respect of the Four Ship leases. Furthermore Golar LNG has provided a guarantee to the Lessor Bank in respect of these obligations.

In connection with the corporate restructuring and private placement offering completed in August 2009, the Company acquired the *Golar Freeze*, Golar was granted an option to reacquire the *Golar Freeze* from the Company following its conversion to a FSRU, which is expected to be in 2010. The Company also has an identical option to sell the *Golar Freeze* to Golar. In the event this option is exercised the consideration to be paid by Golar shall equal the aggregate of the original deferred consideration ("seller's credit) and the incremental conversion cost of the vessel.

Other
In December 2005, Golar LNG signed a shareholders' agreement in connection with the setting up of a jointly owned company to be named Egyptian Company for Gas Services S.A.E ("ECGS"), which was to be established to develop hydrocarbon business and in particular LNG related business in Egypt. As at December 31, 2008, the Company was committed to subscribe for common shares in ECGS for a further consideration of $3.7 million payable within three years of incorporation, at dates to be determined by ECGS's Board of Directors.

As at December 31, 2009, the Company had a commitment to pay $1.0 million to a third party, contingent upon the conclusion of a material commercial business transaction by ECGS as consideration for work performed in connection with the setting up and incorporation of ECGS.

Parent Company Statement of Operations for the period ended December 31, 2009
(in thousands of $, except per share data)

	Note	**Jul – Dec (1) 2009**
Operating expenses		
Administrative expenses		(6,101)
Total operating expenses		**(6,101)**
Operating loss		**(6,101)**
Financial income (expenses)		
Interest income		395
Other financial items, net		(36)
Net financial expenses		**359**
Loss before equity in net earnings of investees and income taxes		**(5,742)**
Gain on sale of investees	3	3,947
Net loss		**(1,795)**
Per common share amounts:		
Basic and diluted		$(0.01)

Footnotes:
1. Refer to note 1a on page 72.

The accompanying notes are an integral part of these consolidated financial statements.

Parent Company Statement of Comprehensive Income for the period ended December 31, 2009
(in thousands of $)

	Note	**Jul – Dec (1) 2009**
Net loss		**(1,795)**
Other comprehensive income:		
Unrealized gains on marketable securities		3,790
Other comprehensive income		**3,790**
Comprehensive income		**1,995**

Footnotes:
1. Refer to note 1a on page 72.

The accompanying notes are an integral part of these consolidated financial statements.

Parent Company Balance Sheet as of December 31, 2009
(in thousands of $)

	Note	**2009**
ASSETS		
Current Assets		
Cash and cash equivalents		42,456
Other current assets		371
Amounts due from related parties, holding company and affiliates	7	90,456
Total current assets		**133,283**
Long-term assets		
Investment in other group companies	4	317,726
Equity in net assets of non-consolidated investees	2	23,631
Other long-term assets	5	25,284
Total assets		**499,924**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Other current liabilities	6	40,614
Amounts due to related parties, holding company and affiliates	7	4,632
Total liabilities		**45,246**
Equity		
Stockholders' equity		454,678
Total liabilities and equity		**499,924**

Footnotes:
1. Refer to note 1a on page 72.

The accompanying notes are an integral part of these consolidated financial statements.

Parent Company Statement of Cash Flows for the period ended December 31, 2009
(in thousands of $)

	Note	Jul – Dec (1) 2009
Operating activities		
Net loss		**(1,795)**
Adjustments to reconcile net loss to net cash provided by operating activities:		
Gain on sale of investee		(3,947)
Stock based compensation		218
Change in operating assets and liabilities		3,285
Amount due to holding company and affiliates		9,817
Net cash provided by operating activities		**7,578**
Investing activities		
Additions to vessels and equipment		(538)
Net proceeds from sale of non controlling investee		11,010
Cash receipts from working capital adjustments		5,635
Investment in associates		(91)
Investment in group companies		(42,905)
Net cash used in investing activities		**(26,889)**
Financing activities		
Loan to parent company		(55,000)
Receipts from repayment by parent company of loan		1,375
Proceeds from the issuance of equity, net of issue costs paid		115,392
Net cash provided by financing activities		**61,767**
Net increase in cash and cash equivalents		**42,456**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period		**42,456**

Footnotes:
1. Refer to note 1a on page 72.

The accompanying notes are an integral part of these consolidated financial statements.

Parent Company Statements of Changes in Stockholders' Equity for the period ended December 31, 2009
(in thousands of $)

	Share Capital	Warrant Reserve	Additional Paid in Capital	Accumulated Other Compre-hensive Loss	Accumul-ated deficit	Total Stockholders' Equity
At incorporation	-	-	-	-	-	-
Issue of ordinary shares and warrants, net of issuance costs	228,343	9,000	215,049	-	-	452,392
Net loss	-	-	-	-	(1,795)	(1,795)
Other comprehensive income	-	-	-	3,790	-	3,790
Share Options	-	-	216	-	-	216
Gain on issuance of shares by investees	-	-	75	-	-	75
Balance at December 31, 2009	**228,343**	**9,000**	**215,340**	**3,790**	**(1,795)**	**454,678**

Footnotes

(1) In connection with the corporate restructuring, the Company successfully completed a private placement offering in August 2009 raising USD 110 million proceeds, gross of fees and issuing 223.5 million common shares in Golar Energy, of which 168.5 million shares were issued to Golar LNG, at a subscription price of $2 per share, in consideration for the transfer of assets to the Company. Attached to the offering was a "green shoe" option, whereby Fearnley Fonds ASA (the "Manager"), who have been retained by Golar Energy as its financial advisor, were granted an over allotment option. In September 2009, the Manager exercised its greenshoe option to subscribe for 4.8 million new common shares at a subscription price of USD 2 per share, raising a further USD 9.7 million of proceeds. Accordingly, as of December 31, 2009, Golar LNG holds a 73.8% interest in the issued share capital of Golar Energy.

(2) The Company incurred fees and offering expenses attributable to the corporate restructuring and private placement of approximately USD 4.3 million which is recognized as a reduction in owner's additional paid-in capital.

(3) In connection with the private placement, 12 million warrants were issued to the private subscribers at an exercise price of USD 2 per share which can only be exercised on December 15, 2010. Accordingly, based on a fair value of the warrants of USD 0.75 each, this has given rise to an adjustment as of December 31, 2009 of USD 9.0 million to the warrant reserve.

(4) Golar Energy was incorporated on June 22, 2009. The company was dormant until August 12, 2009, being the completion date of the corporate restructuring whereby it acquired the interests in wholly owned subsidiaries and certain other assets of Golar LNG.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Financial Statements of the Parent Company

1a. BACKGROUND AND FORMATION

Golar LNG Energy Limited (the “Company” or “Golar Energy”) was formed as a wholly owned subsidiary of Golar LNG Limited (“Golar” or “Golar LNG”) in June 22, 2009, under the laws of Bermuda. On August 12, 2009 the Company completed its corporate restructuring and private placement offering, whereby it acquired the interests in wholly owned subsidiaries of Golar LNG, which collectively own interests in eight liquefied natural gas (“LNG”) vessels, a 50% equity interest in another LNG carrier and certain other investments. Golar is a publicly listed Bermudan company, listed in Norway on the Oslo Axess specializing in the acquisition, ownership, operation and chartering of LNG carriers and floating storage regasification units (“FSRUs”) and the development of liquefaction projects.

Further detail of the corporate restructuring and private placement offering are provided below:

- Golar LNG transferred to the Company capital stock in its wholly owned subsidiaries and other equity interests in investments, in exchange for 168.5 million new common shares in the Companyat a subscription price of $2 per share, giving rise to gross proceeds of $ 337 million and deferred consideration (“seller’s credit”).
- Immediately subsequent to the corporate restructuring million new common shares to private institutional investors at a subscription price of $2 per share as part of the private placement resulting in aggregate gross proceeds to the Company of $119.7 million . This includes $9.7 million of proceeds relating to the 4.8 million additional shares issued under the “greenshoe” option which were exercised in September 2009 in connection with the private placement.
- In connection with the private placement 12 million warrants were also issued to private investors. Each warrant gives the holder the right to subscribe for one new share in the Company at a subscription price of $2 per share. The warrants can only be exercised on December 15, 2010.

The Company’s ordinary shares are listed on the Oslo Stock Exchange.

1b. ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Golar LNG Energy Limited is the parent Company of the group, presenting its own separate annual report and accounts in compliance with the provisions laid down in the Norwegian Accounting Act.

Investments in companies over which the Company exercises significant influence but, does not control are accounted for using the equity method. The Company records its investments in equity-method investees in the Balance Sheet as “Equity in net assets of non-consolidated investees” and its share of the investees’ earnings or losses in the Income Statement as “Equity in net earnings of investees.”

In connection with the corporate restructuring and private placement offering completed in August 2009 and the acquisition of the *Golar Freeze vessel*, Golar LNG was granted an option to reacquire the vessel from the Company following its conversion to a FSRU. The Company also has an identical option to sell the vessel back to Golar. In the event this option is exercised the consideration to be paid by Golar shall equal the aggregate of the original deferred consideration (“seller’s credit) and the incremental conversion cost of the vessel.

Earnings per share

In accordance with the guidance relevant for "Earnings per Share", basic earnings per share ("EPS") is computed based on the income available to common stockholders and the weighted average number of shares outstanding for basic EPS. Treasury shares are not included in the calculation. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Comprehensive Income

The Company follows the relevant guidance in Reporting Comprehensive Income and its components in the Financial Statements.

Subsidiaries

Subsidiaries are valued by the cost method of accounting in the company financial statements. The investment is valued at the cost of acquiring the shares unless a write down has been necessary. A write down to fair value is made wherever the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the write-down is no longer present. Dividends and other distributions are recognised in the same year as appropriated in the subsidiary financial statements.

Cash and cash equivalents

The Company considers all demand and time deposits and with original maturities of three months or less to be equivalent to cash.

Cost method investments

Cost method investments are unlisted investments in which the Company holds less than a 20% interest and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company records these investments within "Other long-term assets" in the Consolidated Balance Sheet.

Foreign currencies

The Company's functional currency is the U.S. dollar as majority of the Company's expenditures are made in U.S. dollars. The Company's reporting currency is U.S. dollars.

Transactions in foreign currencies during the period are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction and translation gains or losses are included in the Consolidated Statements of Operations.

Fair Value measurements

In accordance with the guidance on Fair Value Measurements using fair value to measure assets and liabilities, the guidance provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

Gain on issuance of shares by investees

The Company recognizes a gain or loss when an equity method investee issues its stock to third parties at a price per share in excess or below its carrying value resulting in a reduction in the Company's ownership interest in the investee. The gain or loss is recorded in the line "Invested Equity."

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2. EQUITY IN NET EARNINGS AND ASSETS OF NON-CONSOLIDATED INVESTEES

As at December 31, 2009 the Company had the following participation in investments that are recorded using the equity method:

	2009
Bluewater Gandria NV ("Bluewater Gandria")	50.00%
Liquefied Natural Gas Limited ("LNGL") (1)	-
Egyptian Company for Gas Services S.A.E ("ECGS")	50.00%

(1) LNGL ceased to be accounted for under the equity method during the year ended December 31, 2009. Please refer to note 5

The carrying amounts of the Company's investments in its equity method investments as at December 31, 2009:

(in thousands of $)	2009
Bluewater Gandria	22,679
ECGS	952
Equity in net assets of non-consolidated investees	23,631

Quoted market prices for ECGS and Bluewater Gandria are not available because shares in ECGS and Bluewater Gandria are not publicly traded.

Bluewater Gandria

Bluewater Gandria is a newly incorporated unlisted company, which has been formed for the purposes of pursuing opportunities to develop offshore LNG FSRU projects. In August 2009, as part of the Golar LNG restructuring, the Company acquired 3,000 shares in Bluewater Gandria N.V. from Golar LNG at a cost of $22.3 million (representing approximately 50 per cent of the issued share capital of that company, and indirectly representing a 50 per cent ownership interest in the vessel "Gandria"). Accordingly, the Company has adopted the equity method of accounting for its 50% investment in Bluewater Gandria, as it considers it has joint significant influence.

ECGS

ECGS is a newly incorporated unlisted company, which has been set up to develop hydrocarbon business and in particular LNG related business in Egypt. In August 2009, as part of Golar LNG restructuring, the Company acquired 50,000 shares in ECGS from Golar LNG at a cost of $1.0 million (representing approximately 50 per cent of the issued share capital of that company). Accordingly, the Company has adopted the equity method of accounting for its 50% investment in ECGS, as it considers it has joint significant influence.

3. GAIN ON ISSUANCE OF SHARES BY INVESTEES

For the period ended December 31, 2009, as shown below:

(in thousands of $)	2009
LNG Limited (“LNGL”)	3,947
Gain on sale of investees	3,947

In November 2009, the Company sold a block of 9.6 million LNG Limited shares which reduces its shareholding to approximately 6.3% of LNG Limited's issued share capital. The sale realised cash proceeds of approximately $11 million and resulted in a gain arising on sale of investees of $3.9 million. As a consequence of the dilution of the Company’s interest to 6.3% in 2009 and other notable factors, the Company concluded that it no longer held significant influence. Accordingly, the Company changed its accounting treatment of the investment from the equity method to the cost basis as of November 10, 2009.

4. INVESTMENTS IN GROUP COMPANIES

(in thousands of $)	2009
At incorporation	-
Acquisition of group companies	317,726
Investment in group companies	317,726

On August 12, 2009, the Company completed the corporate restructuring and private placement offering whereby it acquired the interests in wholly owned subsidiaries of Golar LNG, which collectively owned interests in eight LNG vessels, a 50% equity interest in a ninth vessel and certain other assets and investments.

The following table lists the Company’s principal subsidiaries and their purpose as at December 31, 2009. The Company own’s 100 per cent of each subsidiary.

Name	**Jurisdiction of Incorporation**	**Purpose**
Golar Gas Holding Company Inc.	Marshall Islands	Holding Company and leases four vessels
Golar LNG 1460 Corporation	Marshall Islands	Owns *Gracilis*
Golar LNG 2216 Corporation	Marshall Islands	Owns *Golar Arctic*
Golar LNG 2226 Corporation	Marshall Islands	Leases *Grandis*
Golar LNG 2234 Corporation	Republic of Liberia	Owns *Granosa*
Golar Chartering Limited (1)	United Kingdom	Holding company of four vessels
Golar FSRU 2 Corporation	Marshall Islands	Agent for the conversion of the *Golar Freeze* into a FSRU
Golar FSRU 4 Corporation	Marshall Islands	Provides contribution for the conversion of the *Golar Freeze* into a FSRU
Golar Energy Limited	Cyprus	Holds licence for the construction of a floating power station for the generation of electricity.
Golar Energy Management	Bermuda	Management Limited
Golar Offshore Toscana Limited	Cyprus	Holds investment in associate, OLT Offshore LNG Toscana S.p.A

(1) Golar Chartering Limited is a holding company of four vessel companies incorporated in the United Kingdom, namely Golar Gimi UK Limited, Golar Hilli UK Limited, Golar Khannur UK Limited and Golar 2226 UK Limited.

5. OTHER LONG-TERM ASSETS

(in thousands of $)	2009
Other cost-method investments	24,746
Other	538
Other long-term assets	25,284

Other investments relate to the Company's investment in LNG Limited ("LNGL"), TORP Technology AS ("TORP Technology") and in OLT–O which arose following their acquisitions by the Company during the corporate restructuring of the Golar LNG group in August 2009. On the basis that the Company holds no significant influence in these businesses as demonstrated by its Board representation and position as shareholder at the end of the year, the Company has accounted for its investment in these companies under the cost method of accounting.

LNGL is a company focused on acting as a link between previously discovered but uncommercial gas reserves and potential new energy markets. Shares in LNGL are publicly traded. In August 2009, the Company acquired 23 million shares in LNGL (representing approximately 13.6 per cent of the issued share capital of that company) at a market price of $17.6 million from Golar LNG. In November 2009, the Company sold 9.6 million LNGL shares which reduced its shareholding to approximately 6.3 per cent of LNGL's issued share capital. As a consequence of this dilution of the Company's interest and other notable factors, the Company concluded that it no longer held significant influence. Accordingly, the Company has accounted for this investment under the cost method basis as at the end of the period. As of December 31, 2009 the Company's investment in LNGL was $13.5 million.

TORP Technology is a Norwegian registered unlisted company, which is involved in the construction of an offshore regasification terminal in the US Gulf of Mexico. In August 2009, the Company acquired 535,175 shares in TORP Technology (representing approximately 14.7 per cent of the issued share capital of that company on a fully diluted basis) at a cost of $3.0 million from Golar LNG.

OLT-O is an Italian incorporated unlisted company, which is involved in the construction, development, operation and maintenance of a Floating Storage Regasification Unit ("FSRU") terminal to be situated off the Livorno coast of Italy. In August 2009, the Company acquired OLT-O at a cost of $7.3 million from Golar LNG.

The other long term assets relate to a number of long lead items which were purchased for use in future FSRU conversion projects.

6. OTHER CURRENT LIABILIT IES

(in thousands of $)	2009
Deferred consideration ("seller's credit")	37,347
Other creditors	3,267
	40,614

By virtue of the acquisition of Golar Gas Holding Company Inc., the company that leases the "Golar Freeze" vessel, Golar Energy has also acquired the "Golar Freeze", a vessel scheduled to be converted into an FSRU, and in addition has acquired the company holding its conversion contracts. Golar Energy will carry out the conversion of "Golar Freeze". This acquisition was financed by way of a seller's credit (deferred consideration) from Golar LNG to the Company (i.e. an amount owed to Golar LNG in respect of the acquisition of the assets and liabilities, including a share of the debt, within the companies holding the "Golar Freeze"). Both Golar LNG and the Company have been granted options to buy/ sell the *Golar Freeze* vessel following the vessel's FSRU conversion, expected in 2010.

Golar LNG is obligated to fund and/or guarantee funding for the "Golar Freeze" remaining conversion cost and debt service costs during the period to redelivery.

It is therefore expected that upon redelivery as an FSRU, the "Golar Freeze" will be transferred to Golar LNG in consideration of the extinguishment of sellers credit (including debt) and the funded amounts.

7. RELATED PARTY TRANSACTIONS

The Company has the following balances with related parties as at December 31, 2009:

(in thousands of $)	2009
Short-term loan receivable	53,625
Trading operations	69,488
Frontline (see below)	58
Seller's credit (see Note 18)	(37,347)
	85,824

Receivables from related parties:

(in thousands of $)	2009
Frontline	58
	58

Receivables and payables with related parties arise when the Company pays an invoice on behalf of a related party and vice versa. Receivables and payables are generally settled quarterly in arrears.

Frontline Ltd., Golar LNG and World Shipholding are defined as related parties due to the significant influence of a single shareholder and common directors on the boards of each company.

Receivables from (payables to) holding company and affiliates:

The short-term loan receivable of $53.6 million is due from Golar LNG and is unsecured and bears interest at LIBOR plus 3%.

Amounts of $32.2 million due from holding company and affiliates under trading operations are unsecured, interest-free and intended to be settled in the ordinary course of business.

Historically, the Company has been an integrated part of Golar. As such, the Bermudan and London office locations of Golar have provided general and corporate management services for the Company as well as other Golar entities and operations. Management has allocated administrative expenses and pension costs (including stock based compensation costs) and other financial items related to these operations primarily based on the number of vessels in Golar's fleet.

Golar Energy has entered into a management agreement with Golar Management Limited under which Golar Management will provide management services to Golar Energy. The services provided by Golar Management under this agreement are charged at a cost plus basis. Golar Energy may terminate the agreement by twelve months' prior written notice. The Company is in the process of establishing its own management company, with the intention that this will gradually assume the management functions currently provided by Golar Management. Management fees allocated to the Company and included within administrative expenses were \$1.9 million for the period ended December 31, 2009.

All agreements and transactions with related parties are deemed to be executed on an arm's length basis.

Golar LNG has guaranteed the obligations under certain financing agreements of certain subsidiaries of Golar Energy acquired as part of the restructuring of Golar LNG and transfer of assets to Golar Energy. These guarantees were given at a time when the respective subsidiaries were owned by Golar LNG. No guarantee commission is payable for these guarantees. If Golar LNG, inter alia, is in default of its obligations under the guarantee, is in default in respect of another financial agreement, is insolvent, ceases to own 51% of Golar Energy or the Golar Energy subsidiary borrower or if (in most cases) Golar LNG's main shareholder ceased to own 25% of Golar LNG, then the Golar Energy subsidiary borrower would be in default under the relevant loan agreements. Golar LNG also guarantees Golar Energy's obligations under the BG charters and Shell charters.

Golar LNG and the Company have entered into certain agreements in respect of the Golar Freeze vessel. By virtue of the acquisition of Golar Gas Holding Company Inc., the company that leases the Golar Freeze vessel, Golar Energy has also acquired the Golar Freeze, a vessel scheduled to be converted into an FSRU, and in addition has acquired the company holding its conversion contracts. Golar Energy will carry out the conversion of Golar Freeze. Golar Energy's balance sheet therefore assumed the assets and liabilities (including the debt) relating to the Golar Freeze and contains a seller's credit of \$37.3 million in respect of the Golar Freeze (i.e. an amount owed to Golar LNG in respect of the acquisition of the assets and liabilities, including a share of the debt, within the companies holding the Golar Freeze).

Golar LNG is obligated to fund and/or guarantee funding for the Golar Freeze remaining conversion cost and debt service costs during the period to redelivery. Golar Energy has agreed to loan Golar LNG funds for this purpose at market terms. Golar LNG has an option to acquire Golar Freeze and Golar Energy has an option to put the vessel to Golar LNG if Golar LNG has not exercised its option to acquire by 30 September, 2010. It is therefore expected that upon redelivery as an FSRU, the Golar Freeze will be transferred to Golar LNG in consideration of the extinguishment of sellers credit (including debt) and the funded amounts. The reason why the Golar Freeze was initially transferred to Golar Energy is that Golar Energy will take over the expertise required for FSRU conversion projects and is therefore best placed to complete the conversion. Additionally, the Golar Freeze is part of the same financing / leasing arrangements as several of the vessels Golar Energy acquired (*Hilli, Gimi and Khannur*, the vessels leased by Golar Gas Holding Company), and it was therefore not practicable to separate it from those vessels until the FSRU conversion has been completed.

Golar LNG and a subsidiary of the Company have entered into arrangements in relation to the financing of the *Golar Viking* in order to transfer the benefits and obligations of the debt facility in respect of the vessel to the Golar Energy Group.

8. SHARE CAPITAL AND SHARE OPTIONS

The Company's ordinary shares are listed on the Oslo Axess Stock Exchange.

As at December 31, 2009, authorised and issued share capital is as follows:

Authorized share capital:

(in thousands of $)	2009
500,000,000 common shares of $1.00 each	500,000

Issued share capital:

(in thousands of $)	2009
228,343,100 outstanding issued common shares of $1.00 each	228,343

The unissued shares are at the disposal of the Board of Directors.

All issued shares in the Company are vested with equal shareholder rights in all respects. There is only one class of shares in the Company. All shares are freely transferable, limited by a restriction that the Company may refuse transfers leading to more than 50% of the shares being held by Norwegian shareholders.

Share options

On October 23, 2009 Golar Energy issued share options to directors and employees totalling 3,940,000 at a strike price of $2.20. The new options issued vest over a period of two years and eight months.

As at December 31, 2009, all the Company's share options are classified as equity.

The fair value of each option award is estimated on the grant date or modification date using the Black- Scholes option pricing model. The weighted average assumptions used are noted in the table below.

	At grant date 2009
Risk free interest rate	1.7%
Expected volatility of common stock	60.9%
Expected dividend yield	0.0%
Expected life of options (in years)	3.3 years

The assumption for expected future volatility is based primarily on an analysis of historical volatility of the Company's common stock. The Company uses the simplified method for making estimates as to the expected term of options, based on the vesting period of the award and represents the period of time that options granted are expected to be outstanding. The dividend yield has been estimated at 0% as the exercise price of the options, granted in 2009 are reduced by the value of dividends, declared and paid on a per share basis. During 2009 no dividends were paid.

A summary of option activity as at December 31, 2009 are presented below:

(in thousands of $, except per share data)	Shares (In '000s)	Weighted average exercise price	Weighted average remaining contractual term (years)
Options outstanding at 12 August 2009	-	-	-
Granted during the period	3,940	$2.20	
Options outstanding at December 31, 2009	3,940	$2.20	2.5
Options exercisable at:			
December 31, 2009	-	-	-

The exercise price of all options is reduced by the amount of the dividends declared and paid; the above figures for options granted, exercised and forfeited show the average of the prices at the time of granting, exercising and forfeiting of the options, and for options outstanding at the beginning and end of the year the average of the reduced option prices is shown.

As at December 31, 2009, the intrinsic value of outstanding share options was $nil million.

A summary of the status of the Company's non-vested share option activity and related information for the period ended December 31, 2009 follows:

(in thousands of $, except per share data)	Shares (In '000s)	Weighted average fair value at grant date or modified date
Options outstanding at 12 August 2009	-	-
Granted during the period	3,940	$0.89
Options non-vested at December 31, 2009	3,940	$0.89

The total fair value of share options vested in the years ended December 31, 2009 was $nil million.

Compensation cost of $0.2m million for the period ended December 31, 2009. As of December 31, 2009, the total unrecognized compensation cost relating to options outstanding of $3.3 million is expected to be recognized over a weighted average period of 2.4 years.

9. SHAREHOLDERS' INFORMATION

The Company's shares are registered in the Company's register of members in Bermuda with Nordea Bank Norge ASA as the only shareholder. A sub registry is maintained in the VPS where the shares are registered with ISIN BMG945651013. The registrar for the Company's shares is Nordea Bank Norge ASA.

As of December 31, 2009, the Company had a total of 302 shareholders on record in VPS. The top three shareholders recorded in VPS are set forth in the table below:

Shareholder	**Shares**	**Interest (%)**
Golar LNG Ltd	168,500,100	73.80%
Euroclear G Bank S.A./N.V.	23,337,600	10.22%
World Shipholding	11,385,000	4.99%

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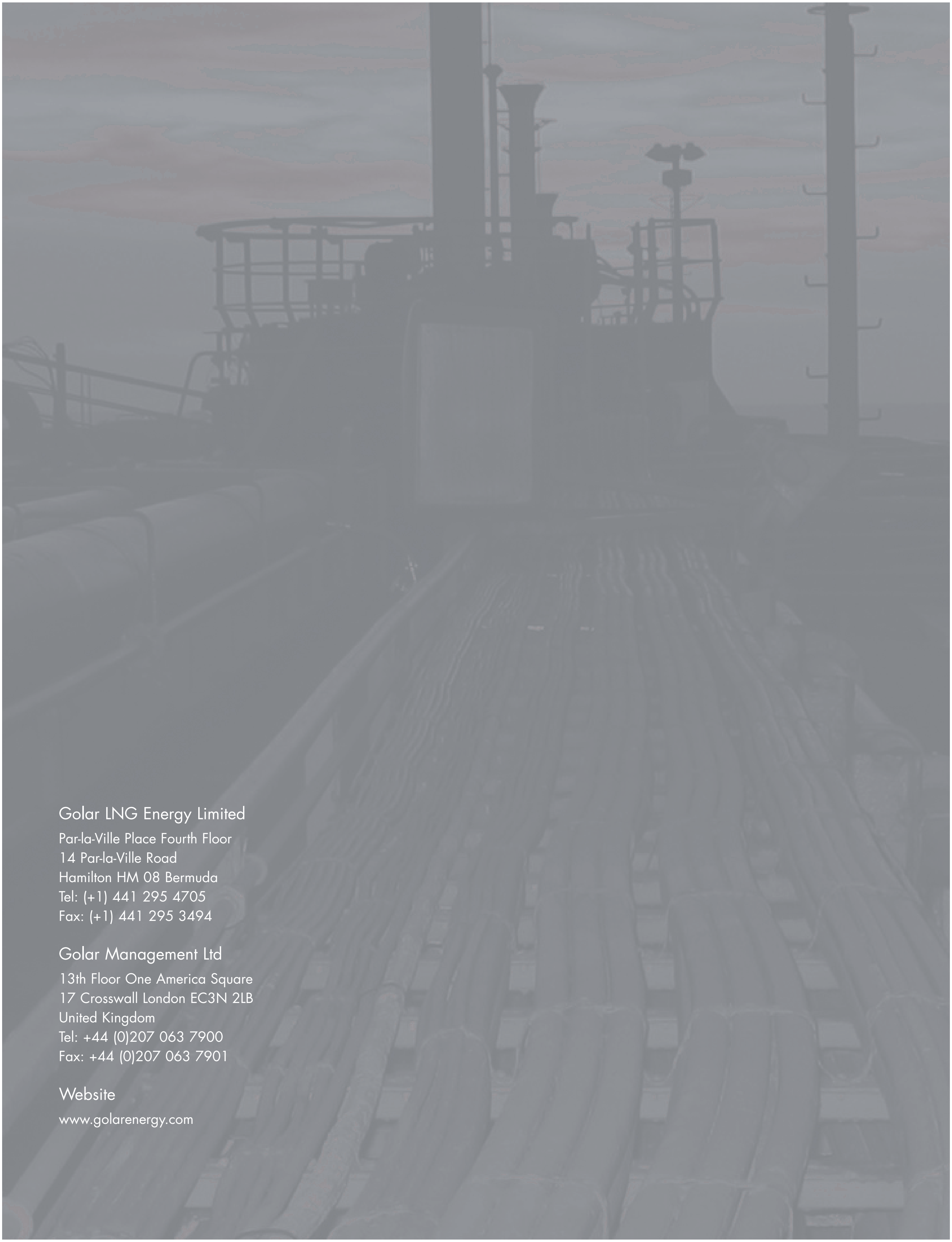

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