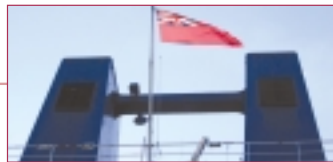


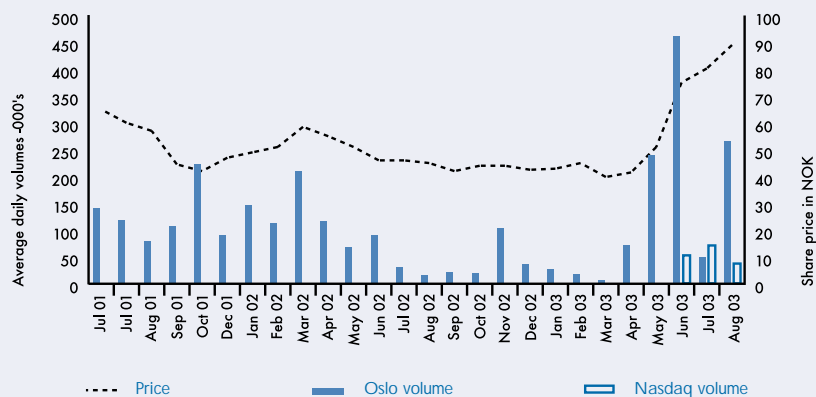


Golar LNG





Share price and volume history



Financial Statement

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Report of Independent Accountants

To the Board of Directors and Stockholders of Golar LNG Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated and combined statements of operations, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Golar LNG Limited and its subsidiaries (the "Company") at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years ended December 31, 2002, 2001 and 2000 in conformity 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 audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Company is considering various funding strategies for its capital commitments under long-term shipbuilding contracts for which it has not yet obtained full financing, including a payment due on December 31, 2003.

PricewaterhouseCoopers LLP
June 30, 2003

Consolidated and Combined Statements of Operations for the years ended December 31, 2002, 2001 and 2000

(in thousands of \$, except per share data)

	Note	2002	2001	2000
Operating Revenues				
Time charter revenues		129,076	112,324	110,705
Vessel management fees		1,535	1,899	2,304
Total Operating Revenues		130,611	114,223	113,009
Operating expenses				
Vessel operating expenses		28,061	24,537	20,973
Administrative expenses		6,127	8,232	7,715
Restructuring expenses	6	-	1,894	-
Depreciation and amortization		31,300	31,614	36,488
Total Operating Expenses		65,488	66,277	65,176
Operating Income		65,123	47,946	47,833
Financial income (expenses)				
Interest income		1,073	3,254	2,124
Interest expense		(23,553)	(32,508)	(44,539)
Other financial items	7	(17,887)	(12,363)	(2,405)
Net Financial Expenses		(40,367)	(41,617)	(44,820)
Income before Income Taxes and Minority Interest				
Minority interest in net income of subsidiaries		(2,469)	1,607	3,439
Income taxes	8	88	356	78
Net Income (loss)		27,137	4,366	(504)
Earnings (loss) per share				
Basic and diluted	9	\$0.48	\$0.08	\$(0.01)

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

Consolidated and Combined Statements of Comprehensive Income for the years ended December 31, 2002, 2001 and 2000

(in thousands of \$)

	2002	2001	2000
Net income (loss)	27,137	4,366	(504)
Other Comprehensive income (loss), net of tax:			
Recognition of minimum pension liability	(5,398)	(1,472)	(3,598)
Recognition of transition obligation under FAS 133	-	(2,850)	-
Reversal of transition obligation under FAS 133	-	64	-
Other comprehensive Income (loss)	(5,398)	(4,258)	(3,598)
<hr/>			
Comprehensive Income (loss)	21,739	108	(4,102)

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

Consolidated Balance Sheets as of December 31, 2002 and 2001

(in thousands of \$)

	Note	2002	2001
ASSETS			
Current Assets			
Cash and cash equivalents		52,741	57,569
Restricted cash and short-term investments		12,760	14,163
Trade accounts receivable	11	-	188
Other receivables, prepaid expenses and accrued income	12	2,758	2,602
Amounts due from related parties	13	281	261
Inventories		2,482	2,650
Total Current Assets		71,022	77,433
Newbuildings	14	291,671	132,856
Vessels and equipment, net	15	617,583	641,371
Deferred charges	16	7,163	4,177
Other long term assets	17	496	154
Total Assets		987,935	855,991
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term debt	21	48,437	41,053
Current indebtedness due to related parties	21	32,703	85,278
Trade accounts payable		3,001	1,995
Accrued expenses	18	10,286	7,684
Amounts due to related parties		642	1,049
Other current liabilities	19	31,477	18,887
Total Current Liabilities		126,546	155,946
Long-term Liabilities			
Long-term debt	21	629,173	483,276
Other long-term liabilities	22	22,731	16,552
Total Liabilities		778,450	655,774
Commitments and Contingencies (See Note 27)			
Minority interest		13,349	25,820
Stockholders' equity		196,136	174,397
Total Liabilities and Stockholders' Equity		987,935	855,991

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

Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000

(in thousands of \$)

	Note	2002	2001	2000
Operating Activities				
Net income (loss)		27,137	4,366	(504)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization		31,300	31,680	36,488
Amortization of deferred charges		972	2,097	1,359
(Loss) income attributable to minority interests		(2,469)	1,607	3,439
Drydocking expenditure		(1,600)	(10,222)	(6,694)
Trade accounts receivable		188	(77)	(4)
Inventories		168	(591)	257
Prepaid expenses and accrued income		(156)	725	188
Amount due from/to related companies		(427)	(238)	(5,217)
Trade accounts payable		1,006	196	274
Accrued expenses		3,518	267	(1,116)
Other current liabilities		11,579	12,233	1,039
Net Cash Provided by Operating Activities		71,216	42,043	29,509
Investing Activities				
Cash paid for Osprey's LNG interests, net of cash acquired		-	(530,945)	-
Additions to newbuildings	14	(158,815)	(132,856)	(93,960)
Additions to vessels and equipment		(5,912)	(7,258)	(2,900)
Purchase of short term investments		-	-	(14,231)
Restricted cash and short-term investments		1,403	(1,072)	(13,091)
Proceeds from maturity of short term investments		-	14,231	-
Proceeds from sales of other assets		-	-	1,334
Net Cash used in Investing Activities		(163,324)	(657,900)	(122,848)
Financing Activities				
Proceeds from long-term debt	21	194,335	325,000	88,191
Proceeds from short term debt due to related parties	21	16,259	85,278	-
Repayments of long-term debt		(41,054)	(15,170)	-
Repayment of short term debt due to related parties		(68,834)	-	-
Financing costs paid		(3,424)	(3,231)	-
(Distribution to) contribution from minority shareholders	26	(10,002)	-	8,322
Proceeds from issuance of equity		-	275,808	-
Net Cash Provided by Financing Activities		87,280	667,685	96,513
Net (decrease) increase in cash and cash equivalents		(4,828)	51,828	3,174
Cash and cash equivalents at beginning of period		57,569	5,741	2,567
Cash and cash equivalents at end of period		52,741	57,569	5,741
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest paid, net of capitalized interest		25,603	37,811	42,662
Income taxes paid		321	411	268
Non-cash investing and financing activities:				
Forgiveness of intercompany payables, dividend out and return of capital		-	455,890	-
Liabilities assumed in business combination		-	214,500	-

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

Consolidated and Combined Statements of Changes in Stockholders' Equity for the years ended December 31, 2002, 2001, 2000

(in thousands of \$, except number of shares)

	Note	Invested Equity Related	Amounts due from Capital Parties	Share Capital	Additional Paid in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
Combined Balance at								
December 31, 1999		1,016,792	(791,736)	-	-	-	-	225,056
Net income (loss)		(504)	-	-	-	-	-	(504)
Change in amounts due from parent and affiliates		-	36,080	-	-	-	-	36,080
Other comprehensive loss		-	-	-	-	(3,598)	-	(3,598)
Combined Balance at								
December 31, 2000		1,016,288	(755,656)	-	-	(3,598)	-	257,034
Push down of World Shipholding Ltd. basis	23	(133,758)	-	-	-	6,384	-	(127,374)
Net loss		(3,210)	-	-	-	-	-	(3,210)
Change in amounts due from parent and affiliates		-	299,766	-	-	-	-	299,766
Other comprehensive loss		-	-	-	-	(2,786)	-	(2,786)
Combined Balance at								
May 31, 2001		879,320	(455,890)	-	-	-	-	423,430
Issue of ordinary shares, net of issuance costs	24	-	-	56,012	219,796	-	-	275,808
Forgiveness of inter-company balances, dividend out and return of capital		(455,890)	455,890	-	-	-	-	-
Purchase of the Golar LNG businesses from Osprey Maritime and Seatankers Ltd, entities under common control		(423,430)	-	-	(107,515)	-	-	(530,945)
Net income		-	-	-	-	-	7,576	7,576
Other comprehensive loss		-	-	-	-	(1,472)	-	(1,472)
Consolidated Balance at								
December 31, 2001		-	-	56,012	112,281	(1,472)	7,576	174,397
Net income		-	-	-	-	-	27,137	27,137
Other comprehensive loss		-	-	-	-	(5,398)	-	(5,398)
Consolidated Balance at								
December 31, 2002		-	-	56,012	112,281	(6,870)	34,713	196,136

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GOLAR LNG

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

Notes to Consolidated and Combined Financial Statements

1. GENERAL

Golar LNG Limited (the "Company" or "Golar") was incorporated in Hamilton, Bermuda on May 10, 2001 for the purpose of acquiring the liquefied natural gas ("LNG") shipping interests of Osprey Maritime Limited ("Osprey") and of Seatankers Management Co. Ltd. ("Seatankers"). Osprey, through its parent World Shipholding Ltd. ("World Shipholding"), and Seatankers, are both indirectly controlled by Mr. John Fredriksen. Mr. Fredriksen is a Director, the Chairman and President of Golar. Osprey acquired its LNG interests in 1997 through the acquisition of Gotaas Larsen Shipping Corporation ("Gotaas Larsen").

The Company owns and operates a fleet of six liquefied natural gas ("LNG") carriers, all of which are currently under long term charter contracts. The Company owns five of its vessels through wholly owned subsidiaries and has a 60 per cent interest in the sixth vessel. Additionally, the Company is building four new LNG carriers at a cost of \$658.9 million excluding financing costs. These newbuildings are for delivery between August 2003 and October 2004.

The Company has obtained financing for one of its newbuildings and believes it has sufficient facilities to meet its anticipated funding needs until December 30, 2003. However, the Company currently does not have sufficient facilities to meet payments, in respect of the further three newbuildings, due on December 31, 2003 and thereafter. As at June 30, 2003 additional facilities of \$278 million will be needed to meet commitments under the newbuilding construction program for the further three newbuildings payable on December 31, 2003 and thereafter, including \$100.5 million payable on December 31, 2003 on delivery of the Company's second newbuilding. The construction contracts include penalty clauses for non-payment of installments which could result in the yards retaining the vessels with no compensation to Golar for advance payments made. These penalty clauses would not be enforceable prior to January 2004 in relation to the installment due on December 31, 2003. The Company expects that facilities required to meet the commitments as at December 31, 2003 and during 2004 will be provided from a combination of debt finance, lease arrangements for existing vessels and newbuildings and cash flow from operations. The Company is in discussions with a number of financial institutions and others to provide financing for the remaining installments due on delivery of its three unfinanced vessels. The Company believes that upon conclusion of these discussions, sufficient facilities will be obtained to meet these commitments as they fall due. Accordingly, the financial statements have been prepared on a going concern basis of accounting.

Acquisition of Osprey by World Shipholding

In August 2000, World Shipholding commenced the acquisition of Osprey, a publicly listed Singapore company with LNG tankers, oil tankers and product tankers. World Shipholding gained a controlling interest of more than 50 per cent of Osprey in November 2000. In January 2001, World Shipholding's interest increased to over 90 per cent and the acquisition was completed in May 2001. The acquisition of Osprey by World Shipholding was accounted for as a purchase transaction and the purchase price was therefore allocated to the assets and liabilities acquired based on their fair value as of each acquisition date with vessels being valued on the basis of independent appraisals. The fair value of the net assets acquired exceeded the purchase price. As such, the negative goodwill associated with the acquisition has been allocated to reduce the values of the vessels and the new basis reflected in Golar LNG's financial statements through push down accounting (as indicated in Note 23), which occurred on January 31, 2001.

Acquisition of LNG interests by Golar LNG Limited

On May 21, 2001, the Company entered into purchase agreements with Osprey and Seatankers to purchase its LNG shipping interests. These LNG shipping interests comprised the ownership of LNG carriers, a contract and options to build LNG vessels and a management organization that provides management services for LNG carriers owned by the Company and third parties. To finance the purchase of the LNG operations, the Company raised \$280 million through the placement in Norway of 56 million shares at a price of \$5.00 per share. Osprey subscribed for 28 million shares with the remaining 28 million shares being subscribed by private investors. In addition, a wholly-owned subsidiary of the Company raised \$325 million through a credit facility

secured by the underlying vessels. The purchase price for the LNG operations was \$530.9 million as indicated below:

<i>(in millions of \$)</i>	
Proceeds from share issuance	280.0
Credit facility	325.0
	605.0
Less: transaction fees and expenses	(4.2)
Less: surplus cash available	(69.9)
Purchase price	530.9
Less: net assets acquired	(423.4)
Excess of Purchase Price Over Net Assets Acquired	107.5

The purchase price included amounts paid to Osprey and Seatankers totaling \$5.0 million for the assignment of newbuilding contracts and options. The purchase price paid was net of an amount of \$128.7 million, being 60 per cent of the loan assumed relating to the financing of the Golar Mazo as described in Note 21. Additionally, the Company forgave certain intercompany receivables totaling \$455.9 million.

Mr. John Fredriksen indirectly controls 50.01 per cent of the Company through the initial 12,000 shares issued at the Company's formation and the 28 million shares purchased by Osprey. As required under generally accepted accounting principles in the United States, the purchase of the LNG operations has been treated by the Company as a transaction between entities under common control. The Company recorded the LNG assets and liabilities acquired from World Shipholding and Seatankers at the amounts previously reflected in the books of World Shipholding and Seatankers on what is known as a "predecessor basis". The difference between the purchase price as described above and the net assets recorded in the Company's books using the predecessor basis was reflected as a reduction in equity in the amount of \$107.5 million.

2. ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States. Investments in companies in which the Company directly or indirectly holds more than 50 per cent of the voting control are consolidated in the financial statements. All inter-company balances and transactions have been eliminated. Investments in companies in which the Company holds between 20 per cent and 50 per cent of an ownership interest, and over which the Company exercises significant influence, are accounted for using the equity method.

For the year ended December 31, 2002 the financial statements of Golar as a separate entity are presented on a consolidated basis. For the year ended December 31, 2001, the five months to May 31, 2001, have been carved out of the financial statements of Osprey and are presented on a combined basis.

For the seven months from June 1, 2001 to December 31, 2001, the financial statements of Golar as a separate entity are presented on a consolidated basis. For the year ended December 31, 2000 the combined financial statements presented herein have been carved out of the financial statements of Osprey. With effect from May 31, 2001 the predecessor basis of accounting has been applied to the acquisition of the LNG interests of Osprey and Seatankers as discussed above. The financial statements for the years ended December 31, 2002 and 2001, therefore reflect the following:

- the pushdown of purchase accounting adjustments with effect from January 31, 2001 (resulting from the acquisition of Osprey by World Shipholding);
- the application of the predecessor basis of accounting with effect from May 31, 2001 resulting from the Company's acquisition of the LNG interest of Osprey and Seatankers; and
- the establishment of a new equity and debt structure with effect from May 31, 2001 in connection with the common control acquisition by Golar of the LNG business of Osprey and the carry over of the historic basis from this date;

The accompanying financial statements include the financial statements of the corporations listed in Note 3.

Osprey was a shipping company with activities that included oil tankers and product carriers as well as LNG carriers. Where Osprey's assets, liabilities, revenues and expenses relate to the LNG business, these have been identified and carved out for inclusion in these financial statements for the years ended December 31, 2001 and 2000. Where Osprey's assets, liabilities, revenues and expenses relate to one specific line of business but not the LNG business, these have been identified and not included in these financial statements. The preparation of the carved out financial statements requires allocation of certain assets and liabilities and expenses where these items are not identifiable as related to one specific activity. Administrative overheads of Osprey that cannot be related to a specific vessel type of operations have been allocated based on the number of vessels in Osprey's fleet including its tanker operations. The Osprey group operated a centralized treasury system and did not have separate bank accounts for each of its subsidiaries. For the LNG operations there were separate bank accounts for Golar Mazo and for the remaining LNG activities interest income has been allocated in the carved out combined financial statements based on operating cash flows, net of debt servicing. Management has deemed the related allocations are reasonable to present the financial position, results of operations, and cash flows of the Company. Management believes the various allocated amounts would not materially differ from those that would have been achieved had Golar operated on a stand-alone basis for all periods presented. The financial position, results of operations and cash flows of the Company are not necessarily indicative of those that would have been achieved had the Company operated autonomously for the years ended December 31, 2001 and 2000 as the Company may have made different operational and investment decisions as a Company independent of Osprey.

During the period of Osprey's ownership of the LNG business, overhead costs allocated, as described above, are derived from costs associated with the corporate headquarters in Singapore and from the London office which managed and still does manage the operations of the business. The amount of costs, presented as part of administrative expenses, that was allocated from the Singapore headquarters was \$743,000 and \$3,000,000 for the years ended December 31, 2001 and 2000 respectively. In addition, of the \$1,894,000 restructuring expenses incurred during 2001, \$1,598,000 was allocated from the Singapore headquarters.

The preparation of financial statements in accordance with generally accepted accounting principles 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. The financial statements do not purport to be indicative of either our future financial position or results of operations had Golar been a stand-alone entity for the periods presented.

Revenue and Expense Recognition

Revenues and expenses are recognized on the accrual basis. Revenues generated from time charter hire 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. Revenues generated from management fees are also recorded ratably over the term of the contract as service is provided. Revenues include minimum lease payments under time charters as well as the reimbursement of certain vessel operating and drydocking costs.

Vessel operating costs include an allocation of administrative overheads that relate to vessel operating activity which includes certain technical and operational support staff for the vessels, information technology, legal, accounting, and corporate costs. These costs are allocated based on internal cost studies, which management believes are reasonable estimates. For the years ended December 31, 2002, 2001 and 2000, \$2,250,000, \$2,033,000 and \$1,909,000 have been allocated to vessel operating costs, respectively.

Cash and Cash Equivalents

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

Short-term Investments

The Company considers all short-term investments as held to maturity in accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities". These investments are carried at amortized cost. The Company places its short-term investments primarily in fixed term deposits with high credit quality financial institutions.

Insurance Claim Receivables

Insurance claim receivables are recognized when the facts and circumstances support the legal recovery and management believes it is virtually certain that the claims will be recovered.

Inventories

Inventories, which are comprised principally of 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.

Newbuildings

The carrying value of newbuildings represents the accumulated costs to the balance sheet date, which the Company has had to pay by way of purchase installments, and other capital expenditures together with capitalized loan interest. No charge for depreciation is made until the vessel is delivered.

Vessels and Equipment

Vessels and equipment are stated at cost less accumulated depreciation. The cost of vessels and equipment 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 vessel and equipment.

Included in vessels and equipment is drydocking expenditure which is 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 and for the amounts reflected as part of the push down of the World Shipholding basis, the consideration paid is allocated between drydocking and other vessels costs to reflect the different useful lives of the component assets.

Useful lives applied in depreciation are as follows:

Vessels	40 years
Deferred drydocking expenditure	two to five years
Office equipment and fittings	three to six years

Impairment of Long-lived Assets

Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

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.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired in business acquisitions accounted for under the purchase method. Goodwill is presented net of accumulated amortization and is being amortized on a straight-line basis over a period of approximately 20 years.

Derivatives

The Company enters into interest rate swap transactions from time to time to hedge a portion of its exposure to floating interest rates. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. Hedge accounting is used to account for these swaps provided certain hedging criteria are met. As of January 1, 2001, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS 133"). Certain hedge relationships met the hedge criteria prior to SFAS 133, but do not meet the criteria for hedge accounting under SFAS 133. Upon initial adoption, the company recognized the fair value of its derivatives as liabilities of \$2.8 million and a charge of \$2.8 million was made to other comprehensive income.

Pre-SFAS 133

Hedge accounting is applied where the derivative reduces the risk of the underlying hedged item and is designated at inception as a hedge with respect to the hedged item. Additionally, the derivative must result in payoffs that are expected to be inversely correlated to those of the hedged item. Derivatives are measured for effectiveness both at inception and on an ongoing basis. When hedge accounting is applied, the differential between the derivative and the underlying hedged item is accrued as interest rates change and recognized as an adjustment to interest expense. The related amount receivable from or payable to counterparties is included in accrued interest income or expense, respectively. Prior to January 1, 2001, the fair values of the interest rate swaps are not recognized in the financial statements.

If a derivative ceases to meet the criteria for hedge accounting, any subsequent gains and losses are currently recognized in income. If a hedging instrument is sold or terminated prior to maturity, gains and losses continue to be deferred until the hedged instrument is recognized in income. Accordingly, should a swap be terminated while the underlying debt remains outstanding, the gain or loss is adjusted to the basis of the underlying debt and amortized over its remaining useful life.

Post-SFAS 133

SFAS 133, as amended by SFAS 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133" and SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133", requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and measure these instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In order to qualify for hedge accounting under SFAS 133, certain criteria and detailed documentation requirements must be met.

The Company does not enter into derivative contracts for speculative or trading purposes.

Foreign Currencies

The Company's 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 reports in U.S. dollars.

Transactions in foreign currencies during the year 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 gains or losses are included in the consolidated statements of operations.

Stock-based Compensation

Under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", disclosures of stock-based compensation arrangements with employees are required and companies are encouraged, but not required, to record compensation costs associated with employee stock option awards, based on estimated fair values at the grant dates. The Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees" and has disclosed the required pro forma effect on net income and earning per share as if the fair value method of accounting as prescribed in SFAS 123 had been applied (see Note 24).

Earnings (loss) per Share

Basic earnings per share ("EPS") is computed based on the income (loss) available to common stockholders and the weighted average number of shares outstanding for basic EPS. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments (see Note 9).

3. SUBSIDIARIES AND INVESTMENTS

Name	Country of Incorporation	Principal Activities as of December 31, 2002	Percentage held as of December 31 2002
Golar Gas Holding Company Inc.	Liberia	Holding	100
Golar Maritime (Asia) Inc.	Liberia	Holding	100
Gotaas-Larsen Shipping Corporation	Liberia	Holding	100
Oxbow Holdings Inc.	British Virgin Islands	Holding	100
Golar Gas Cryogenics Inc.	Liberia	Vessel ownership	100
Golar Spirit (Bermuda) Limited	Bermuda	Dormant	100
Golar Gimi Inc.	Liberia	Vessel ownership	100
Golar Gimi (Bermuda) Limited	Bermuda	Dormant	100
Golar Hilli Inc.	Liberia	Vessel ownership	100
Golar Hilli (Bermuda) Limited	Bermuda	Dormant	100
Golar Khannur Inc.	Liberia	Vessel ownership	100
Golar Khannur (Bermuda) Limited	Bermuda	Dormant	100
Golar Freeze Inc.	Liberia	Vessel ownership	100
Golar Freeze (Bermuda) Limited	Bermuda	Dormant	100
Faraway Maritime Shipping Inc.	Liberia	Vessel ownership	60
Golar LNG 2215 Corporation	Liberia	Vessel ownership	100
Golar LNG 1444 Corporation	Liberia	Vessel ownership	100
Golar LNG 1460 Corporation	Liberia	Vessel ownership	100
Golar LNG 2220 Corporation	Liberia	Vessel ownership	100
Golar International Ltd.	Liberia	Vessel management	100
Golar Maritime Services Inc.	Philippines	Vessel management	100
Golar Maritime Services, S.A.	Spain	Vessel management	100
Gotaas-Larsen International Ltd.	Liberia	Vessel management	100
Golar Management Limited	Bermuda	Management	100
Golar Management (UK) Limited	United Kingdom	Dormant	100
Golar Maritime Limited	Bermuda	Management	100
Aurora Management Inc.	Liberia	Management	90

4. ADOPTION OF NEW ACCOUNTING STANDARDS

In July 2002, the Financial Accounting Standards Board issued SEAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). The Statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. SFAS 146 will be applied by the Company prospectively to exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The Company's disclosure of guarantees is included in Note 26 of the Notes to Financial Statements. The Company is currently evaluating the impact of Interpretation 45 on the Company's results of operations and financial position.

In January 2003, the FASB issued Interpretation 46, Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is 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. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company is currently evaluating the impact of Interpretation 46 on the Company's results of operations and financial position.

5. SEGMENTAL INFORMATION

The Company has not presented segmental information as it considers it operates in one reportable segment, the LNG carrier market. The Company's fleet is all operating under time charters and these charters are with two charterers, British Gas and Pertamina. 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.

6. RESTRUCTURING EXPENSES

Restructuring expenses of \$1.9 million in the year ended December 31, 2001 consist of employment severance costs for management and administrative employees in London and Singapore incurred in connection with the restructuring of Osprey's operations following the acquisition by World Shipholding which was completed prior to May 31, 2001. These have been allocated to the Company based on the number of vessels in Ospreys' fleet including its tanker operations. The total number of employees terminated, from which the cost has been allocated, was 17. The cost of \$1.9 million represents the actual cost and employee numbers are actual numbers terminated. The cost of \$1.9 million was charged to the statement of operations in 2001 with no remaining provision as of December 31, 2001.

7. OTHER FINANCIAL ITEMS

(in thousands of \$)

	2002	2001	2000
Amortization of deferred financing costs	864	2,097	1,359
Financing arrangement fees and other costs	332	1,857	983
Market valuation adjustment for interest rate derivatives	16,458	8,221	-
Foreign exchange loss	233	188	63
	<u>17,887</u>	<u>12,363</u>	<u>2,405</u>

8. TAXATION

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 per cent 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 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 the U.S. Federal 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 financial statements as the Company's net income is subject to neither Bermuda nor U.S. tax.

Other Jurisdictions

Current taxation relates to the taxation of a United Kingdom branch of a subsidiary and tax on interest income received by certain other subsidiaries of the Company. 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 deferred tax assets of \$211,000 and \$154,000 at December 31, 2002 and 2001, respectively. These assets relate to differences for depreciation and pension liabilities.

9. EARNINGS (LOSS) PER SHARE

Basic earnings per share for the year ended December 31, 2002 has been calculated with reference to the weighted average number of common shares in issue during the year. The Company's capital structure was determined with the capital reorganization that took place on May 31, 2001. For the periods prior to May 31, 2001, the preparation of the carved out combined financial statements did not result in the recording of any specific share capital. To provide a measurement of EPS for the years ended December 31, 2001 and 2000, the computation of basic EPS is based on the shares issued in connection with the formation of the Company and the subsequent placement of 56 million shares as described in Note 1. The computation of diluted EPS for the years ended December 31, 2002 and 2001, assumes the foregoing and the conversion of potentially dilutive instruments. There were no dilutive securities outstanding during the year ended December 31, 2000.

The components of the numerator for the calculation of basic and diluted EPS are as follows:
(in thousands of \$)

	2002	2001	2000
Net income (loss) available to stockholders	27,137	4,366	(504)

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

(in thousands)	2002	2001	2000
Basic earnings per share:			
Weighted average number of common shares outstanding	56,012	56,012	56,012
Diluted earnings per share:			
Weighted average number of common shares outstanding	56,012	56,012	56,012
Dilutive share options	9	7	-
	56,021	56,019	56,012

10. LEASES

Rental Income

The minimum future revenues to be received on time charters as of December 31, 2002 were as follows:

Year ending December 31, <i>(in thousands of \$)</i>	Total
2003	116,914
2004	140,396
2005	142,440
2006	139,499
2007	119,746
2008 and later	842,650
Total	1,501,645

The minimum future revenues above include time charter revenues for newbuilding Hull 2215 from January 2004 (see Note 28).

The long-term contracts for two of the Company's vessels are time charters but the economic terms are analogous to bareboat contracts, under which the vessels are paid a fixed rate of hire and the vessel operating costs are borne by the charterer on a costs pass through basis. The pass through of operating costs is not reflected in the minimum lease revenues set out above.

The cost and accumulated depreciation of vessels leased to third parties at December 31, 2002 were approximately \$675.5 million and \$58.7 million respectively and at December 31, 2001 were approximately \$669.3 million and \$29.3 million respectively.

Rental Expense

The Company is committed to make rental payments under operating leases for office premises. The future minimum rental payments under the Company's non-cancelable operating leases are as follows:

Year ending December 31, <i>(in thousands of \$)</i>	Total
2003	878
2004	725
2005	-
2006	-
2007	-
2008 and later	-
Total Minimum Lease Payments	1,603

Total minimum lease payments have been reduced by minimum sublease rentals under non-cancelable leases of \$1,550,000 for the year ended December 31, 2003, and \$1,421,000 for the year ended December 31, 2004. This relates to former office space that the Company no longer occupies. At the time the Company entered into this sublease arrangement, a provision was recognized for the difference between the Company's future obligation under the lease agreement and its anticipated sublease income over the remaining term of the lease. This provision is recognized as a reduction to rental expense over the life of the lease agreement and eliminates the Company's ongoing rental expense for these facilities. The provision is recorded in other current liabilities and other long-term liabilities. The provision balance at December 31, 2002 and 2001 was \$1,239,000 and \$2,194,000, respectively, of which \$656,000 and \$885,000 is shown in other current liabilities at December 31, 2002 and 2001, respectively. Total rental expense for operating leases was \$2,709,000, \$2,101,000 and \$1,642,000 for the years ended December 31, 2002, 2001 and 2000, respectively and total sublease income was approximately \$1,497,000, \$1,158,000 and \$839,000 for the years ended December 31, 2002, 2001 and 2000, respectively. The amortization of the provision described above was \$954,000, \$450,000 and \$344,500 for the years ended December 31, 2002, 2001 and 2000, respectively.

11. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are presented net of allowances for doubtful accounts amounting to \$nil, as of December 31, 2002 and December 31, 2001.

12. OTHER RECEIVABLES, PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of \$)

	2002	2001
Other receivables	2,135	2,023
Prepaid expenses	623	312
Accrued interest income	-	267
	<u>2,758</u>	<u>2,602</u>

13. DUE FROM RELATED COMPANIES

Amounts due from related companies as at December 31, 2002 and 2001 of \$281,000 and \$261,000, respectively, represent fees due from Osprey for management of two VLCCs, seconded staff costs and recharge of sundry expenses.

14. NEWBUILDINGS

(in thousands of \$)

	2002	2001
Purchase price installments at end of period	276,486	129,864
Interest and other costs capitalized at end of period	15,185	2,992
	<u>291,671</u>	<u>132,856</u>

The amount of interest capitalized in relation to newbuildings was \$12,268,000 and \$2,637,000 for the years ended December 31, 2002 and 2001, respectively.

The Company has contracts to build four new LNG carriers at a total cost of \$658.9 million, excluding financing costs. As at December 31, 2002, the installments for these vessels, were due to be paid as follows:

(in millions of \$)

Paid in 12 months to 31 December 2001	129.9
Paid in 12 months to 31 December 2002	146.6
Payable in 12 months to 31 December 2003	157.4
Payable in 12 months to 31 December 2004	225.0
	<u>658.9</u>

At December 31, 2002, the Company did not have facilities in place to finance its entire newbuilding program. As of June 2003 the Company had total loan facilities of \$304 million, to finance its newbuilding program. These consist of a \$180 million facility from Lloyds TSB Bank Plc (\$162 million is in respect of the contract cost of newbuilding hull 2215 and the balance is for associated finance costs and other sundry items) of which \$136.6 million has been drawn down to finance newbuilding installments; \$64 million from a related party, Greenwich, of which \$16.7 million has been drawn down and a \$60 million facility from certain of the Golar LNG facility lenders of which the full amount has been drawn down. In addition, the Company raised approximately \$32.5 million being the cash inflow resulting from lease financing concluded in April 2003 as discussed in Note 28. The Company will require additional financing of approximately \$278 million to fund all of its newbuilding construction commitments.

The commitments up to December 30, 2003 will be funded from existing facilities and cash generated from operations. Additional facilities are required to meet the final delivery installments for three of the Company's newbuildings payable on December 31, 2003 and during 2004

15. VESSELS AND EQUIPMENT, NET

(in thousands of \$)

	2002	2001
Cost	677,939	671,697
Accumulated depreciation	(60,356)	(30,326)
Net Book Value	617,583	641,371

Included in the above amounts as at December 31, 2002 and 2001 is equipment with a net book value of \$778,000 and \$1,337,000, respectively.

Depreciation expense for the years ended December 31, 2002, 2001 and 2000 was \$31,300,000, \$31,614,000 and \$35,991,000 respectively. Depreciation expense is shown net of amounts allocated to other Osprey entities totaling \$nil, \$367,000 and \$702,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

16. DEFERRED CHARGES

Deferred charges represent financing costs, principally bank fees that are capitalized and amortized to other financial items over the life of the debt instrument. Deferred charges also include costs of \$918,000 (December 31, 2001: \$nil) incurred in connection with a lease finance arrangement that was concluded in April 2003. The deferred charges are comprised of the following amounts:

(in thousands of \$)

	2002	2001
Debt arrangement fees and other deferred financing charges	8,232	4,647
Accumulated amortization	(1,069)	(470)
	7,163	4,177

17. OTHER LONG TERM ASSETS

(in thousands of \$)

	2002	2001
Deferred tax assets	211	154
Deferred development costs	285	-
	496	154

In May 2002, Golar signed a joint development agreement with Marathon Baja Limited, a subsidiary of Marathon Oil and GGS Holdings Limited ("GGS"), to participate in a project, led by Marathon Oil, to build a major Liquefied Natural Gas (LNG) import and re-gasification facility and power generation complex near Tijuana in the Mexican State of Baja California. It is anticipated that the project will commence operations during 2006.

Under the agreement with Marathon and GGS, costs incurred in relation to the development of the project are to be shared as follows: Marathon 80%, GGS 10%, Golar 10% prior to the establishment of a lead project company and execution of a shareholders' agreement. The size of Golar's ultimate investment in this project has not yet been determined. In addition to becoming a shareholder, Golar will provide shipping capacity and shipping services to the project. The project partners are working on detailed implementation plans that include financing of the project.

Golar will expense its portion of the costs incurred during the development phase except where it relates to capital assets. During the year ended December 31, 2002, Golar's 10 percent share of the total development costs of the project was \$1,077,000 (see Note 19), of which \$792,000 was expensed and included in administrative expenses. The remaining \$285,000, which relates to the purchase of land options has been capitalized as a long-term asset.

18. ACCRUED EXPENSES

(in thousands of \$)

	2002	2001
Vessel operating and drydocking expenses	4,213	3,160
Administrative expenses	1,733	2,787
Interest expense	3,474	1,426
Provision for financing arrangement fees and other costs	842	115
Provision for tax	24	196
	10,286	7,684

19. OTHER CURRENT LIABILITIES

(in thousands of \$)

	2002	2001
Deferred drydocking and operating cost revenue	2,445	1,200
Revenue received in advance	-	5,964
Marked to market interest rate swaps valuation	27,296	10,838
Provision for Baja project costs	1,077	-
Other provisions	659	885
	31,477	18,887

20. PENSIONS

The Company has two pension plans covering substantially all of the employees of the Company and Osprey. Benefits are based on the employee's years of service and compensation. Net periodic pension plan costs are determined using the Projected Unit Credit Cost method. The Company's plans are funded by the Company in conformity with the funding requirements of the applicable government regulations and actuarial recommendations. Plan assets consist of both fixed income and equity funds managed by professional fund managers.

The components of net periodic benefit costs are as follows:

(in thousands of \$)

	2002	2001	2000
Service cost	1,325	1,407	1,161
Interest cost	3,519	3,346	3,066
Expected return on plan assets	(2,250)	(2,620)	(3,021)
Amortization of prior service cost	-	-	-
Recognized actuarial loss	504	615	(18)
Net Periodic Benefit Cost	3,099	2,748	1,188

For the years ended 31 December 2001 and 2000, the net periodic benefit costs include amounts relating to the employees of Osprey, a related party. In 2001, the Company administered the plans on behalf of Osprey and charged a management fee to Osprey that includes a proportionate cost of plan contributions as well as certain administration costs. As such, in the preparation of historical financial statements, the Company has reduced administration expenses by \$473,000 for the year ended December 31, 2001 and \$951,000 for the year ended December 31, 2000, to reflect administration expenses as if this management agreement had existed for those respective years.

The change in benefit obligation and plan assets and reconciliation of funded status as of December 31 are as follows:

(in thousands of \$)

	2002	2001
Reconciliation of benefit obligation:		
Benefit obligation at January 1	49,576	45,836
Service cost	1,325	1,407
Interest cost	3,519	3,346
Participant contributions	-	-
Actuarial (gain)/loss	(733)	1,514
Foreign currency exchange rate changes	660	(66)
Benefit payments	(2,466)	(2,461)
Benefit Obligation at December 31	51,881	49,576
Reconciliation of fair value of plan assets:		
Fair value of plan assets at January 1	28,326	33,309
Actual return on plan assets	(2,462)	(3,903)
Employer contributions	1,525	1,453
Participant contributions	-	-
Foreign currency exchange rate changes	491	(72)
Benefit payments	(2,466)	(2,461)
Fair Value of Plan Assets at December 31	25,414	28,326
Excess (deficit) of plan assets over projected benefit obligation (1)	(26,467)	(21,250)
Unrecognized prior service cost	-	-
Unrecognized actuarial loss (gain)	11,189	7,479
Net Amount Recognized	(15,278)	(13,771)

(1) The Company's plans are composed of two plans that are both under funded at December 31, 2002 and December 31, 2001.

The details of these plans are as follows:

	December 31, 2002		December 31, 2001	
	UK Scheme	Marine scheme	UK scheme	Marine scheme
(in thousands of \$)				
Accumulated benefit obligation	(7,408)	(40,155)	(6,318)	(37,255)
Projected benefit obligation	(7,688)	(44,193)	(6,539)	(43,037)
Fair value of plan assets	5,015	20,399	5,569	22,757
Funded Status	(2,673)	(23,794)	(970)	(20,280)

The amounts recognized in the Company's balance sheet as of December 31 were as follows:

(in thousands of \$)

	2002	2001
Accrued benefit liability	(22,148)	(15,243)
Minimum pension liability	6,870	1,472
Net Amount Recognized	(15,278)	(13,771)

The weighted average assumptions used in accounting for the Company's plans at December 31 are as follows:

	2002	2001
Discount rate	6.6%	7.1%
Expected return on plan assets	8.0%	8.0%
Rate of compensation increase	2.7%	4.0%

21. DEBT

(in thousands of \$)

	2002	2001
Total long-term debt due to third parties	677,610	524,329
Total short-term debt due to related parties	32,703	85,278
Total debt	710,313	609,607
Less: current portion of long-term debt due to third parties	(48,437)	(41,053)
Less: current portion short-term debt due to related parties	(32,703)	(85,278)
	629,173	483,276

The outstanding debt as of December 31, 2002 is repayable as follows:

Year ending December 31, (in thousands of \$)

2003	81,142
2004	62,532
2005	66,133
2006	75,494
2007	186,647
2008 and later	238,365
Total	710,313

The weighted average interest rate for debt, which is denominated in US dollars, as of December 31, 2002 and 2001 was 5.03 per cent and 6.3 per cent, respectively. During 2002, US\$55 million of debt in respect of the Hull 2215 facility was fixed for a period of twelve years at a rate of 6.19 per cent until delivery and 5.9 per cent from delivery. The remainder of the Company's debt is US Dollar denominated floating rate debt

At December 31, 2002, the debt of the Company comprised the following, details of which are set out below:

(in thousands of \$)

		Maturity date
Greenwich loans	32,703	2003
Mazo facility	193,275	2013
Hull 2215 facility	134,335	2015
Golar LNG facility	290,000	2007
Golar LNG Subordinated facility	60,000	2007
	710,313	

Mazo Facility

On November 26, 1997 Osprey entered into a secured loan facility (the "Mazo facility") with a banking consortium for an amount of \$214.5 million and secured by a mortgage on the vessel Golar Mazo. The facility was assumed by Golar from Osprey in May 2001. The facility bears floating interest rate of LIBOR plus 0.865 per cent and the repayment terms are six monthly and commenced on June 28, 2001. In connection with the Mazo facility, Osprey also entered into a collateral agreement with the same banking consortium and a bank Trust Company. This agreement requires that certain cash balances, representing interest and principal repayments for defined future periods, be held by the Trust Company during the period of the loan. These balances are referred to in these financial statements as restricted cash.

Golar LNG Facility

In May 2001 the Golar group entered into a secured loan facility (the "Golar LNG facility") with a banking consortium for an amount of \$325.0 million. This six year facility bears floating rate interest of LIBOR plus 1.5 per cent. The loan is repayable in 22 quarterly installments and a final balloon payment of \$147.5 million. The long-term debt is secured by a mortgage on the vessels *Golar Spirit*, *Khannur*, *Gimi*, *Hilli* and *Golar Freeze*. As discussed in Note 28, the Golar LNG facility was refinanced in April 2003.

Greenwich Loans

In August 2001 and September 2001, Golar obtained loans of \$32.6 million and \$20 million respectively from Greenwich Holdings Limited, in order to finance the first and second installments due on newbuilding hull number 2215. The floating interest rate payable on these loans was LIBOR plus 2.5 per cent. The loans were repaid by Golar in March 2002 from funds arising on drawn down from the Hull 2215 facility. Until the repayment of the loans a subsidiary of Golar had guaranteed loans totalling \$52.6 million made to Greenwich by Nordea and Den norske Bank and entered into an assignment and security agreement in respect of its' building contract with Den norske Bank as security agent. No consideration was paid by Greenwich for the provision of the guarantee. The rate of interest that Greenwich paid to the banks was LIBOR plus 1.5 per cent.

In August 2001, Golar obtained a loan of \$32.7 million from Greenwich, in order to finance the first installments due on newbuilding hull numbers 1460 and 2220. The loan was initially for a period of one year and the floating interest rate payable on this loan was LIBOR plus 2.5%. In connection with this loan, two subsidiaries of Golar have guaranteed a loan of \$32.7 million made to Greenwich by Nordea and Den norske Bank and they have both entered into an assignment and security agreement in respect of their shipbuilding contracts with Den norske Bank as security agent. No consideration has been paid by Greenwich for the provision of the guarantee. Until June 11, 2002 the rate of interest that Greenwich paid to the banks was LIBOR plus 1.5 per cent.

In June 2002, Golar obtained \$16.3 million in loan finance from Greenwich, by way of an addendum to the existing loan agreement in respect of newbuilding hull numbers 1460 and 2220 in order to finance the second installment due on newbuilding hull number 1444. This addendum also extended the repayment date of the original loan, \$32.7 million, from August 2002 until August 2003. The floating interest rate payable on the loan of \$16.3 million was LIBOR plus 2.625 per cent. This rate also applies to the original \$32.7 million from June 2002. The rate increases to LIBOR plus three per cent on any amounts still outstanding as at February 20, 2003. The rate of interest that Greenwich pays to the banks providing the above facilities is LIBOR plus 1.625 per cent from June 11, 2002 until February 20, 2003 and 2 per cent thereafter. The additional loan of \$16.3 million was repaid in November 2002 from funds arising on draw down from the \$60.0 million Golar LNG subordinated facility. Until the repayment of the loan of \$16.3m a subsidiary of Golar had guaranteed a loan of \$16.3 million made to Greenwich by Nordea and Den norske Bank and entered into an assignment and security agreement in respect of its' building contract with Den norske Bank as security agent. No consideration was paid by Greenwich for the provision of the guarantee.

In June 2003, Golar repaid \$16.0 million to Greenwich in respect of the \$32.7 million loan secured on hulls 1460 and 2220.

In June 2003 Greenwich reconfirmed the availability of an additional \$15 million facility for the payment of newbuilding installments should it be required, having confirmed the availability of this facility originally in September 2002. Furthermore Greenwich also confirmed the availability of \$32.3 million, representing the amounts repaid in November 2002 and June 2003, should it be required. In addition an extension to the remaining outstanding loan of \$16.7 million until July 2004 is available if required.

Hull 2215 Facility

In December 2001 the Company signed a loan agreement with Lloyds TSB bank Plc for the purpose of financing newbuilding hull number 2215 (the "Hull 2215 facility") for an amount up to \$180 million to include shipyard costs, capitalized interest and building supervision charges. The loan is for a period of 12 years from the date of delivery and bears floating interest rate of LIBOR plus 1.45 per cent up to date of delivery and thereafter at between LIBOR plus 1.125 per cent and LIBOR plus 1.5 per cent determined by reference to Standard and Poors ("S&P") rating of the Charterer from time to time. The margin could be higher than 1.5 per cent if the rating for the Charterer at any time fell below an S&P rating of "B". The facility is payable in 144 consecutive monthly

installments and a final balloon payment of \$118.0 million. It is a requirement of the facility that Golar fix the rate of interest on the balloon payment for the term of the loan. As at December 31, 2002 Golar had fixed the rate of interest on a principal amount of \$55.0 million at a rate including margin of approximately 5.9 per cent p.a. for a period of 12 years. During 2002, the Company drew down \$134.4 million of the facility, \$52.6 million was used to repay loans from Greenwich in respect of the same vessel, as noted above and the remaining amount was used to finance the installment payments and interest expense in respect of hull 2215.

Golar LNG Subordinated Facility

In October 2002, Golar entered into a secured subordinated loan facility (the "Golar LNG subordinated facility") with a banking consortium for an amount of \$60.0 million. The facility is subordinated to the \$325 million Golar LNG facility and has the same maturity date as the Golar LNG facility. The loan bears floating rate interest of LIBOR plus 2.0 per cent, increasing by 0.25 per cent on 30 November 2004 and 2005. The facility is repayable in 15 equal quarterly installments with first installment payable on 30 November 2003. The debt is secured by a second priority mortgage on the vessels *Golar Spirit*, *Khannur*, *Gimi*, *Hilli* and *Golar Freeze*. Of the \$60.0 million drawn down, \$16.3 million was used to repay a Greenwich loan as noted above and the remainder was used to finance installment payments in respect of Hull 1444, Hull 2220 and Hull 1460. As discussed in Note 28, the Golar LNG facility was refinanced in April 2003.

Certain of the Company's debt is collateralized by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. The existing financing agreements impose operation 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 and minimum free cash restrictions. As of December 31, 2002 and 2001 the Company complied with the debt covenants of its various debt agreements.

22. OTHER LONG-TERM LIABILITIES

(in thousands of \$)

	2002	2001
Pension obligations	22,148	15,243
Other provisions	581	1,309
	<u>22,731</u>	<u>16,552</u>

23. PUSH DOWN ACCOUNTING

The effect of push down accounting in January 2001 was to reduce the value of assets and liabilities recorded by Golar to reflect the change in basis realized as a result of World Shipholding's acquisition of Osprey as follows:

(in thousands of \$)

Vessels and equipment, net	109,832
Deferred charges	1,702
Goodwill	9,439
Pension obligations	9,999
FAS 133 transition obligation	2,786
	<u>133,758</u>

24. SHARE CAPITAL AND SHARE OPTIONS

The Company was incorporated on May 10, 2001 and 12,000 common shares of \$1.00 par value each were issued to the initial shareholder. In May 2001, the Company issued 56,000,000 common shares at a price of \$5.00 per share in a placement in Norway subscribed to by approximately 130 financial investors. These shares were issued to finance the acquisition of the LNG interest of Osprey as described in Note 1.

At December 31, 2002 and December 31, 2001, authorized and issued share capital is as follows:

Authorized share capital:

(in thousands of \$, except share numbers)

100,000,000 Common Shares of \$1.00 Each	100,000
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Issued share capital:

(in thousands of \$, except share numbers)

56,012,000 Common Shares of \$1.00 Each	56,012
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In July 2001, the Board of the Company approved the grant of options to eligible employees to acquire an aggregate amount of up to 2,000,000 shares in the company. In July 2001, the Board of Golar approved the grant of options to certain directors and officers of the Company to acquire 400,000 shares at a subscription price of \$5.75. These options vest on July 18, 2002 and are exercisable for a maximum period of nine years following the first anniversary date of the grant. There were no additional options granted during the year ended 31 December 2002. The weighted average fair value of the 400,000 options in the year ended December 31, 2002 and 2001 was \$3.264 and \$1.785, respectively. The fair value of the option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2002	2001
Risk free interest rate	2.78%	4.39%
Expected life	5 years	5 years
Expected volatility	60%	20%
Expected dividend yield	0%	0%

Compensation cost of \$56,700 and \$47,300 has been recognized in the year ended December 31, 2002 and 2001, respectively, in connection with the grant of the 400,000 options. This amount represents the difference between the subscription price of \$5.75 and the market price of \$6.01 (the equivalent to NOK56 at the exchange rate of NOK9.3153 to \$1.00) on the date of grant, recognized over the vesting period of the options.

Had the compensation costs for the plan been calculated and accounted for in accordance with the fair value method recommended in SFAS 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

(in thousands of \$, except per share data)

	2002	2001
Net income		
As reported	27,137	4,366
Add: Stock-based employee compensation expense in reported net income under APB 25, net of tax	57	47
Less: Total stock-based compensation expense determined under SFAS 123 fair value method for all awards, net of tax	(1,306)	(324)
Pro-forma	25,888	4,089
Basic and diluted earnings per share		
As reported	\$0.48	\$0.08
Pro-forma	\$0.46	\$0.07

In February 2002, the Board of Golar approved an employee share option scheme. Under the terms of the scheme, options may be granted to any director or eligible employee of the Company or its subsidiaries. Options are exercisable for a maximum period of nine years following the first anniversary date of the grant. The exercise price for the options may not be less than the average of the fair market value of the underlying shares for the three trading days before the date of grant.

The number of shares granted under the plans may not in any ten year period exceed seven per cent of the issued share capital of the Company. No consideration is payable for the grant of an option.

25. 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 a portfolio of 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 Credit Lyonnais, Bank of Taiwan, Credit Agricole Indosuez, The Fuji Bank Limited, and the Industrial Bank of Japan Limited. Credit risk exists to the extent that the counterparties are unable to perform under the contracts.

Prior to the adoption of SFAS 133, all interest rate derivatives were designated and effective as hedges of the Company's exposure to interest rate fluctuations. After the adoption of SFAS 133 on January 1, 2001, hedge accounting has not been applied. As a result of the adoption of SFAS 133, the Company recorded a transition adjustment of \$2.8 million on January 1, 2001. For the purpose of the carved-out combined financial statements for the year ended December 31, 2000, the portfolio of swaps has been allocated based on the proportion of hedged loans that have been carved out and pushed down from Osprey.

The Company manages its debt 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 entered into the following interest rate swap transactions involving the payment of fixed rates in exchange for LIBOR:

<i>Instrument</i> <i>(in thousands of \$)</i>	Notional Amount		Maturity Dates	Fixed Interest Rates
	December 31, 2002	December 31, 2001		
Interest rate swaps:				
Receiving floating, pay fixed	183,776	194,829	2001 - 2009	5.47% to 6.52%

At December 31, 2002, the notional principal amount of the debt outstanding subject to such swap agreements was \$183.8 million (2001 - \$195.0 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. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cash flows. The Company has not entered into derivative contracts to reduce its exposure to transaction risk. Accordingly, such risk may have an adverse effect on the Company's financial condition and results of operations.

Fair Values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2002 and 2001 are as follows:

(in thousands of \$)

	2002 Carrying Value	2002 Fair Value	2001 Carrying Value	2001 Fair Value
NON-DERIVATIVES:				
Cash and cash equivalents	52,741	52,741	57,569	57,569
Restricted cash and short-term investments	12,760	12,760	14,163	14,163
Long-term debt – fixed	55,000	56,379	524,329	524,329
Long term debt – floating	574,173	622,610		
Short-term debt – floating	81,140	81,140	85,278	85,278
DERIVATIVES:				
Interest rate swap Liability	(27,296)	(27,296)	(10,838)	(10,838)

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 and short-term investments 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 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 or six monthly basis. The estimated fair value for long-term debt with fixed rates of interest of more than one year is estimated by obtaining quotes for breaking the fixed rate from the related banking institution.

The fair value of interest rate swaps is estimated by obtaining quotes from the related banking institution.

As of December 31, 2002 long-term assets included \$285,000 relating to the purchase of land options in respect of the Baja project as described in Note 17. The fair value of these options approximates to carrying value.

Concentrations of Risk

There is a concentration of credit risk with respect to cash and cash equivalents, restricted cash and short-term investments to the extent that substantially all of the amounts are carried with the Nordea Bank of Finland PLC, The Industrial Bank of Japan and The Bank of New York. However, the Company believes this risk is remote as these banks are high credit quality financial institutions.

During the year ended December 31, 2002, two customers accounted for substantial amount of the total revenues of the company. The Company's revenues and associated accounts receivable are derived from its four time charters with British Gas, two time charters with Pertamina and, to a much more limited extent, from its four management contracts with National Gas Shipping Company Limited (Abu Dhabi) ("NGSCO"). Pertamina is a state enterprise of the Republic of Indonesia. Credit risk is mitigated by the long-term contracts with Pertamina being on a ship-or-pay basis. Also, under the various contracts the Company's vessel hire charges are paid by the Trustee and Paying Agent from the immediate sale proceeds of the delivered gas. The Trustee must pay the shipowner before Pertamina and the gas sales contracts are with the Chinese Petroleum Corporation and KOGAS. The Company considers the credit risk of British Gas and NGSCO to be low.

During the years ended December 31, 2002, 2001 and 2000, British Gas, Pertamina and Ras Laffan Liquefied Natural Gas Co Ltd, each accounted for more than 10% of gross revenue in one or more years.

During 2000, Pertamina and Ras Laffan accounted for \$59.5 million and \$16.3 million respectively. During 2001, Pertamina and British Gas accounted for \$62.8 million and \$45.8 million respectively. During 2002, Pertamina and British Gas accounted for \$61.0 million and \$68.1 million respectively.

26. RELATED PARTY TRANSACTIONS

Golar was incorporated in 2001 for the purpose of acquiring the LNG shipping interests of Osprey and Seatankers. Osprey, through its parent World Shipholding, and Seatankers are indirectly controlled by Mr. John Fredriksen. The purchase price paid for the LNG operations of Osprey was \$525.9 million based on an agreed gross value of the LNG carriers of \$635.0 million, plus the amount of net book value of all other non-shipping assets of the companies acquired. The purchase price paid was net of an amount of \$128.7 million, being 60 per cent of the loan assumed relating to the financing of the Golar *Mazo* as described in Note 21 and cash of \$27.2 million. Furthermore, the Company paid \$2.5 million to Osprey for the assignment of a newbuilding contract and options. Additionally, immediately prior to the sale, certain inter-company balances due to the companies forming the LNG shipping interests of Osprey from other Osprey Companies totaling \$450.3 million were forgiven. On May 28, 2001, the Company entered into a purchase agreement with Seatankers to purchase its one newbuilding contract for a LNG carrier and options to build three new LNG carriers. The Company paid \$2.5 million to Seatankers for the assignment of the newbuilding contract and options.

In August 2001 and September 2001, Golar obtained loans of \$32.6 million and \$20 million respectively from Greenwich Holdings Limited, in order to finance the first and second installments due on newbuilding hull number 2215. The floating interest rate payable on these loans was LIBOR plus 2.5 per cent. The loans were repaid by Golar in March 2002 from funds arising on drawn down from the Hull 2215 facility. Until the repayment of the loans a subsidiary of Golar had guaranteed loans totalling \$52.6 million made to Greenwich by Nordea and Den norske Bank and entered into an assignment and security agreement in respect of its' building contract with Den norske Bank as security agent. No consideration was paid by Greenwich for the provision of the guarantee.

In August 2001, Golar obtained a loan of \$32.7 million from Greenwich, in order to finance the first installments due on newbuilding hull numbers 1460 and 2220. The loan was initially for a period of one year and the floating interest rate payable on this loan was LIBOR plus 2.5%. In connection with this loan, two subsidiaries of Golar have guaranteed a loan of \$32.7 million made to Greenwich by Nordea and Den norske Bank and they have both entered into an assignment and security agreement in respect of their shipbuilding contracts with Den norske Bank as security agent. No consideration has been paid by Greenwich for the provision of the guarantee.

In June 2002, Golar obtained \$16.3 million in loan finance from Greenwich, by way of an addendum to the existing loan agreement in respect of newbuilding hull numbers 1460 and 2220 in order to finance the second installment due on newbuilding hull number 1444. This addendum also extended the repayment date of the original loan, \$32.7 million, from August 2002 until August 2003. The floating interest rate payable on the loan of \$16.3 million was LIBOR plus 2.625 per cent. This rate also applies to the original \$32.7 million from June 2002. The rate increases to LIBOR plus two per cent on any amounts still outstanding as at February 20, 2003. The additional loan of \$16.3 million was repaid in November 2002 from funds arising on draw down from the \$60.0 million Golar LNG subordinated facility. Until the repayment of the loan of \$16.3m a subsidiary of Golar had guaranteed a loan of \$16.3 million made to Greenwich by Nordea and Den norske Bank and entered into an assignment and security agreement in respect of its' building contract with Den norske Bank as security agent. No consideration was paid by Greenwich for the provision of the guarantee.

During the year ended December 31, 2002 the rate of interest that Greenwich paid to the banks providing the above facilities was LIBOR plus 1.5 per cent until June 11, 2002, thereafter the rate was 1.625 per cent. The rate during the year ended December 31, 2002 was 1.5 per cent throughout. As at December 31, 2002 and 2001, \$169,612 and \$291,000 respectively, of the interest due to Greenwich was outstanding.

For each of the loans from Greenwich noted above the Company has paid loan arrangement fees directly to the lending banks. These fees during the years ended December 31, 2002 and 2001 amounted to \$323,250 and \$415,700 respectively.

In June 2003, Golar repaid \$16.0 million to Greenwich in respect of \$32.7 million secured on hulls 1460 and 2220.

In June 2003, Greenwich reconfirmed the availability of an additional \$15 million facility for the payment of newbuilding installments should it be required, having confirmed the availability of this facility originally in September 2002. Furthermore Greenwich also confirmed the availability of \$32.3 million, representing the amounts repaid in November 2002 and June 2003, should it be required. In addition an extension to the remaining outstanding loan of \$16.7 million until July 2004 is available if required.

Historically the Company has been an integrated part of Osprey Maritime. As such, the Singapore and London office locations of Osprey have provided general and corporate management services for both the Company as well as other Osprey entities and operations. As described in Note 2, management has allocated costs related to these operations based on the number of vessels managed. Amounts allocated to the Company and included within vessel operating expenses, administrative expenses and depreciation expense were \$nil, \$3,227,000 and \$9,662,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

In the years ended December 31, 2002 and 2001 Frontline Management (Bermuda) Limited and Frontline Management AS both subsidiaries of Frontline Ltd. ("Frontline") have provided services to the company. These services include management support, corporate services and administrative services. In the years ended December 31, 2002 and 2001, management fees to Frontline of \$379,550 and \$258,962, respectively, have been incurred by Golar. As at December 31, 2002 and 2001 amounts of \$102,550 and \$547,966, respectively, were due to Frontline in respect of these fees and costs incurred. Frontline is a publicly listed company. Its principal shareholder is Hemen Holding Limited, a company indirectly controlled by John Fredriksen.

The Company agreed to provide services to Osprey for the management of two of Osprey's VLCC's until November 2001. In the seven months ended December 2001, management fees of \$106,667 were charged to Osprey in relation to such services of which \$nil was outstanding at December 31, 2001. In addition as at December 31, 2002 and 2001 amounts of \$9,610 and \$261,000, respectively, were due from Osprey in respect of the above services net of certain expenses recharged at cost. In the year ended December 31, 2002 and 2001, Seatankers has provided insurance administration services to the Company. In the years ended December 31, 2002 and 2001, management fees to Seatankers of \$24,556 and \$10,000, respectively, have been incurred by Golar. As at December 31, 2002 and 2001, amounts of \$14,556 and \$10,000, respectively, were due to Seatankers in respect of these fees incurred.

During the year ended December 31, 2002, Faraway Maritime Shipping Inc. which is 60% owned by Golar and 40% owned by China Petroleum Corporation ("CPC"), paid dividends totalling \$25.0 million (2001: \$nil, 2000 \$nil), of which \$15.0 million was paid to Golar and \$10.0 million was paid to CPC.

Management believes transactions with related parties are under terms similar to those that would be arranged with other parties.

27. COMMITMENTS AND CONTINGENCIES

Assets Pledged

(in thousands of \$)

	December 31, 2002	December 31, 2001
Long-term Loans Secured on Vessels and Newbuildings	710,313	609,607

Baja Project

On May 24, 2002 Golar signed a joint development agreement with Marathon Baja Limited, a subsidiary of Marathon Oil and GGS Holdings Limited, to participate in a project, led by Marathon Oil, to build a major Liquefied Natural Gas (LNG) import and regasification facility and power generation complex near Tijuana in the Mexican State of Baja California. It is anticipated that the project will commence operations during 2006. Under the agreement with Marathon and GGS, costs incurred in relation to the development of the project are to be shared as follows: Marathon 80%, GGS 10%, Golar 10% prior to the establishment of a lead project company and execution of a shareholders' agreement. The size of Golar's ultimate investment in this project has not yet been determined. If the Baja project is instigated and the required financing is obtained, under the May 24, 2002 agreement, Marathon Oil will be entitled to recover pre January 1, 2002 development costs incurred by them in connection with the project plus interest thereon. Golar's liability for the pre January 1, 2002 costs would be \$0.2 million.

Other Contractual Commitments and Contingencies

The Company currently insures the legal liability risks for its shipping activities with the United Kingdom Mutual Steamship Assurance Association (Bermuda), a mutual protection and indemnity association. Prior to February 2001 the Company insured such risks with The Britannia Steam Ship Insurance Association Ltd. As a member of a mutual association, the Company is subject to calls payable to the association 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.

28. SUBSEQUENT EVENTS

In January 2003, newbuilding hull 2215 suffered an accidental fire in part of one of its cargo tanks. Due to the damage caused by the fire, the delivery of Hull 2215, which was planned to be by the end of March 2003, will be delayed by approximately five to six months. Golar is entitled to compensation from the ship yard for late delivery and as a result the delay will not have a material adverse financial impact on the Company.

In April 2003 the Company signed an amendment to the 20-year Hull 2215 charter with BG, which changes the date of delivery from March 31, 2003 to a date between January 1, 2004 and March 31, 2004.

In February 2003, an installment of \$8.0 million in relation to newbuilding number 1460 was paid and was financed from cash reserves.

Since January 1, 2003 the Company has rescheduled certain of its installment payments for its newbuildings. This rescheduling is in consideration of interest payable to the relevant shipyards on the outstanding amounts at rates between zero and eight per cent per annum.

The following table summarizes installment payments made since January 1, 2003 and future rescheduled installments:

(in millions of \$)

Payments from January 1, 2003 to June 30, 2003	8.0
Future Payments	
2003 (7 months)	149.4
2004	225.0
2005	-
2006 and later	-
Total	374.4

In March 2003 Golar fixed the rate of interest on an additional principal amount of \$30.0 million of the Hull 2215 facility at a rate including margin approximately 6.02 per cent per annum for a period of 11.5 years commencing September 2003. This increased the total amount of the Hull 2215 facility that has a fixed rate of interest to \$85.0 million.

On March 31, 2003 the Golar *Freeze* commenced a new five-year charter with BG Group plc ("BG").

In April 2003 the Company entered into a lease finance arrangement in respect of five of its currently trading vessels with a subsidiary ("UK Lessor") of a major UK bank. The Company sold five of its subsidiary companies, which owned the relevant vessels, to the UK lessor and received a cash sum of \$452.6 million through refinancing, by the UK lessor, of debt owed by the five subsidiary companies to the Golar group. Each of the five companies, now owned by the UK Lessor, subsequently entered into 20 year leases of the vessels to Golar Gas Holdings Inc ("GGHC"), a subsidiary of the Company.

GGHC used \$325 million of the proceeds received together with \$17.5m of cash reserves to repay two of its existing loans, the Golar LNG facility and the Golar LNG subordinated facility. The outstanding amounts of these loans upon repayment were \$282.5 million and \$60 million respectively. GGHC then drew down on two new facilities; \$265 million secured by a mortgage executed by the UK Lessor in favour of GGHC as security for the UK Lessor's obligations to pay certain sums to GGHC under the lease agreements and by a mortgage transfer

executed by GGHC in favour of the lending banks; and \$60 million secured by a similar but second priority mortgage. The total proceeds from the new loans of \$325 million together with \$89.5 million of the proceeds from the lease finance arrangement were used to make deposits with two banks amounting to \$414.5 million who then issued letters of credit securing GGHC's obligations to the UK Lessor. After making this deposit and settling all outstanding fees relating to the transaction the cash inflow will be approximately \$32.5 million. The Company is currently evaluating the impact of these transactions on its financial statements.

As noted above in April 2003, a subsidiary, Golar Gas Holding Company, Inc. entered into a refinancing in respect of the Golar LNG Facility and the Golar LNG subordinated facility. The new first priority loan ("New Golar LNG facility") is for an amount of \$265 million and is with the same syndicate of banks as the Golar LNG facility. The loan accrues floating interest at a rate per annum equal to the aggregate of LIBOR plus 1.5 percent per annum. The loan has a term of four years and two months and is repayable in 16 quarterly installments and a final balloon payment of \$138.8 million payable on May 31, 2007. The new second priority loan ("New Golar LNG subordinated facility") is for an amount of \$60 million with the same syndicate of banks. It accrues floating interest at a rate per annum equal to the aggregate of LIBOR, plus 2.0 percent per annum, increasing by 0.25 percent per annum on 30 November 2004 and 30 November 2005. The loan has a term of four years and two months and is repayable in 15 quarterly installments of \$4 million commencing in November 2003. Both loans may be prepaid in whole or in part without premium or penalty, except for losses and other reasonable costs and expenses incurred as a result of our prepayment.

In June 2003 Greenwich reconfirmed the availability of an additional \$15 million facility and also confirmed the availability of \$32.3 million, representing the amounts prepaid in November 2002 and June 2003, should it be required. In addition an extension to the remaining outstanding loan of \$16.7 million until July 2004 is available if required.



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Golar LNG Limited

Par-la-Ville Place Fourth Floor
14 Par-la-Ville Road
Hamilton HM 08 Bermuda
Tel: (+1) 441 295 4705
Fax: (+1) 441 295 3494

Golar Management (UK) Ltd

30 Marsh Wall London E14 9TP
United Kingdom
Tel: +44 (0)20 7517 8600
Fax: +44 (0)20 7517 8601

Website

www.golarlng.com