

GOLAR LNG LTD
Form 20-F
May 12, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended

December 31, 2007

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period
from

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell
company report

For the transition period from

Commission file number

000-50113

Golar LNG Limited

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(Exact name of Registrant as specified in its charter)

Golar LNG Limited

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda

(Address of principal executive offices)

Georgina Sousa, Tel +41 295 4705, Fax 441 295 3494,

Address Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda

(Name, Telephone, E-mail and/or Facsimile number and Address of Company contact person)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, par value \$1.00	NASDAQ

Securities registered or to be registered pursuant to section 12(g) of the Act.

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

67,576,866 Common Shares, par value \$1.00

Yes No X

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes X No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of 15(d) of the Securities Exchange Act 1934

Yes No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated filer X Non-accelerated filer

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Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 X Item 18

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP	X	International Financial Reporting Standards	Other
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If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Golar LNG Limited, or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this report, the words “believe,” “anticipate,” “intend,” “estimate,” “forecast,” “project,” “plan,” “potential,” “should,” “expect” and similar expressions identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the tanker market, including changes in demand resulting from changes in OPEC’s petroleum production levels and world wide oil consumption and storage, changes in the Company’s operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

ITEM 3. KEY INFORMATION

Throughout this report, the “Company,” “we,” “us” and “our” all refer to Golar LNG Limited and to its wholly owned subsidiaries. Unless otherwise indicated, all references to “USD,” “U.S.\$” and “\$” in this report are U.S. dollars.

A. Selected Financial Data

The following selected consolidated and combined financial and other data summarize our historical consolidated financial information. We derived the information as at December 31, 2007 and 2006 and for each of the years in the three-year period ended December 31, 2007 from our audited Consolidated Financial Statements included in Item 18 of this annual report on Form 20-F, prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

The selected income statement data with respect to the years ended December 31, 2004 and 2003 and the selected balance sheet data as at December 31, 2005, 2004 and 2003, has been derived from audited consolidated financial statements prepared in accordance with U.S. GAAP not included herein.

The following table should also be read in conjunction with Item 5. “Operating and Financial Review and Prospects” and the Company’s Consolidated Financial Statements and Notes thereto included herein.

At or for the Fiscal Year Ended
December 31

	2007	2006	2005	2004	2003
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(in thousands of U.S. \$, except number of shares, per common share data, fleet and other financial data)

Income Statement Data:

Total operating revenues	224,674	239,697	171,042	163,410	132,765
Gain on sale of newbuilding	41,088	-	-	-	-
Vessel operating expenses (1)	52,986	44,490	37,215	35,759	30,156
Voyage expenses (2)	10,763	9,582	4,594	2,561	2,187
Administrative expenses	18,645	13,657	12,219	8,471	7,138
Restructuring costs	-	-	1,344	-	-
Depreciation and amortization	60,163	56,822	50,991	40,502	31,147
Impairment of long-lived assets	2,345	-	-	-	-
Operating income	120,860	115,146	64,679	76,117	62,137
Gain on sale of available-for-sale securities	46,276	-	-	-	-
Net financial expenses	(65,592)	(52,156)	(39,319)	(25,304)	(15,140)
Income before equity in net earnings of investees, income taxes and minority interests	101,544	62,990	25,360	50,813	46,997
Income taxes and minority interests	(6,248)	(8,306)	(9,323)	(7,995)	(7,427)
Equity in net earnings of investees	13,640	16,989	18,492	13,015	-
Gain on sale of investee	27,268	-	-	-	-
Net income	136,204	71,673	34,529	55,833	39,570
Earnings per common share					
- basic (3)	2.09	1.09	0.53	0.85	0.68
- diluted (3)	2.07	1.05	0.50	0.84	0.68
Cash dividends declared and paid per common share	2.25	-	-	-	-
Weighted average number of shares – basic (3)	65,283	65,562	65,568	65,612	58,533
Weighted average number of shares - diluted (3)	65,715	65,735	65,733	65,797	58,623

Balance Sheet Data (at end of year):

Cash and cash equivalents	185,739	56,616	62,227	51,598	117,883
Restricted cash and short-term investments (4)	52,106	52,287	49,448	41,953	32,095
Amounts due from related parties	712	778	17	294	180
Long-term restricted cash (4)	792,038	778,220	696,308	714,802	623,179
Equity in net assets of non-consolidated investees	14,023	97,255	65,950	48,869	12,176
Newbuildings	-	49,713	111,565	145,233	207,797
Vessels and equipment, net	659,018	669,639	533,008	371,867	211,098
Vessels under capital lease, net	789,558	796,186	676,036	706,516	553,385
Total assets	2,573,610	2,566,189	2,230,695	2,110,329	1,783,968
Current portion of long-term debt	80,037	72,587	67,564	66,457	61,331
Current portion of obligations under capital leases	5,678	5,269	2,466	2,662	-
Long-term debt	735,629	803,771	758,183	636,497	593,904

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Long-term obligations under capital leases (5)	1,024,086	1,009,765	801,500	842,853	616,210
Minority interest (6)	36,983	32,436	27,587	26,282	18,706
Stockholders' equity	552,532	507,044	434,554	402,770	338,801
Common shares outstanding (3)	67,577	65,562	65,562	65,612	65,612

	At or for the Fiscal Year Ended December 31				
	2007	2006	2005	2004	2003
Cash Flow Data:					
Net cash provided by operating activities	73,055	117,219	71,026	82,028	60,077
Net cash provided by (used in) investing activities	224,435	(268,993)	(213,176)	(356,113)	(658,515)
Net cash (used in) provided by financing activities	(168,367)	146,163	152,779	207,800	663,580

Fleet Data (unaudited)

Number of vessels at end of year (7)	12	12	10	9	7
Average number of vessels during year (7)	12	11.52	10	8.33	6.34
Average age of vessels (years)	14.7	13.7	15.3	15.9	19.3
Total calendar days for fleet	4,380	4,214	3,645	3,023	2,315
Total operating days for fleet (8)	3,732	3,845	2,976	2,660	2,140

Other Financial Data (Unaudited):

Adjusted EBITDA (9)	\$ 268,207	\$ 188,957	\$ 134,162	\$ 129,634	\$ 93,284
Average daily time charter equivalent earnings (9)	\$ 51,000	\$ 55,700	\$ 46,200	\$ 54,900	\$ 57,300
Average daily vessel operating costs (10)	\$ 12,097	\$ 10,558	\$ 10,210	\$ 11,800	\$ 13,000

Footnotes

- (1) Vessel operating expenses are the direct costs associated with running a vessel including crew wages, vessel supplies, routine repairs, maintenance and insurance. In addition, prior to the April 2005 reorganization, vessel operating expenses also included an allocation of overheads allocable to vessel operating expenses.
- (2) The majority of our vessels are operated under time charters. Under a time charter, the charterer pays substantially all of the vessel voyage costs, which are primarily fuel and port charges. However, we may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during a period of drydocking.
- (3) Basic earnings per share is computed based on the income available to common shareholders and the weighted average number of shares outstanding. The computation of diluted earnings per share assumes the conversion of potentially dilutive instruments.
- (4) Restricted cash and short-term investments consist of bank deposits, which may only be used to settle certain pre-arranged loan or lease payments and for the year ended December 31, 2006, deposits made in accordance with our contractual obligations under the Equity Swap Line facility.
- (5) We have entered into eight lease financing arrangements, which are classified as capital leases.
- (6) Minority interest refers to a 40% ownership interest held by Chinese Petroleum Corporation in the Golar Mazo.

(7)

In each of the periods presented above, we had a 60% interest in one of our vessels and a 100% interest in our remaining vessels.

(8) The operating days for our fleet is the total number of days in a given period that the vessels were in our possession less the total number of days off-hire. We define days off-hire as days spent on repairs, drydockings, special surveys and vessel upgrades or during periods of commercial waiting time during which we do not earn charter hire.

(9)

Non-GAAP Financial Measures

Adjusted EBITDA. Earnings before interest, other financial items, taxes, minority interest, depreciation and amortization is used as a supplemental financial measure by management and external users of financial statements, such as investors, to assess our financial and operating performance. Adjusted EBITDA facilitates our management's and investors' ability to make operating and performance comparisons from period to period and against the performance of other companies in our industry that provide adjusted EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, other financial items, taxes, depreciation and amortization, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including adjusted EBITDA as a financial and operating measure benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength in assessing whether to continue to hold common units.

Adjusted EBITDA is not defined under U.S. generally accepted accounting principles, or U.S. GAAP. Moreover, adjusted EBITDA is not a measure of operating income or operating performance presented in accordance with U.S. GAAP. Adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, you should not consider adjusted EBITDA in isolation, or as a substitute for net income (loss) or other combined consolidated income statement data prepared in accordance with U.S. GAAP.

We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted EBITDA only supplementally. The following table reconciles net income to adjusted EBITDA. Adjusted EBITDA represents net income plus net interest expense, which includes interest income, interest expense, provision for taxation, depreciation and amortization and other financial items. We note, however, that because not all companies use identical calculations, this presentation of adjusted EBITDA may not be comparable to similarly-titled measures of other companies in our industry.

		Year Ended December 31,			
	2007	2006	2005	2004	2003
	(in thousands of U.S.\$)				
Net income	136,204	71,673	34,529	55,833	39,570
Depreciation and amortization	60,163	56,822	50,991	40,502	31,147
Interest income	(54,906)	(40,706)	(35,653)	(31,879)	(14,800)
Interest expense	112,336	101,298	82,479	61,987	37,157
Other financial items, net	8,162	(8,436)	(7,507)	(4,804)	(7,217)
Income taxes and minority interest	6,248	8,306	9,323	7,995	7,427
Adjusted EBITDA	268,207	188,957	134,162	129,634	93,284

TCE. In order to compare vessels trading under different types of charters, it is standard industry practice to measure the revenue performance of a vessel in terms of average daily time charter equivalent earnings, or "TCE." For time charters, this is calculated by dividing total operating revenues, less any voyage expenses, by the number of calendar days minus days for scheduled off-hire. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses. However, we may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during a period of drydocking. The following table reconciles our total operating revenues to average daily TCE. However, TCE is not defined under U.S. generally accepted accounting principles or U.S. GAAP. Therefore other companies may calculate TCE using a different method.

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(in thousands of U.S.\$, except number of days and average daily TCE)				
Total operating revenues	224,674	239,697	171,042	163,410	132,765
Voyage expenses	(10,763)	(9,582)	(4,594)	(2,561)	(2,187)
	213,911	230,115	166,448	160,849	130,578
Calendar days less scheduled off-hire days	4,197	4,130	3,602	2,930	2,279
Average daily TCE (to the closest \$100)	51,000	55,700	46,200	54,900	57,300

(10) We calculate average daily vessel operating costs by dividing vessel operating costs by the number of calendar days.

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

Some of the following risks relate principally to our business or to the industry in which we operate. Other risks relate principally to the securities market and ownership of our shares. Any of these risks, or any additional risks not presently known to us or risks that we currently deem immaterial, could significantly and adversely affect our business, our financial condition, our operating results and the trading price of our common shares.

Risks Related to our Business

We generate a substantial majority of our revenue from a limited number of customers under long-term 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. During the year ended December 31, 2007, we received 80.6% of our revenues from three customers, BG Group plc, or BG, accounted for 37.8%, Royal Dutch Shell Plc, or Shell, accounted for 26.2% and PT Pertamina (PERSERO), or Pertamina, accounted for 16.6% of our total operating revenues, respectively. After the expected conversion of three of our vessels the Golar Spirit, the Golar Winter and the Golar Freeze, as floating storage re-gasification units, or FSRUs, in the second quarter of 2008, 2009 and 2010, respectively, we will employ these vessels under two 10 year time charters with Petroleo Brasileiro S.A., or Petrobras and a 10 year time charter with Dubai Supply Authority, or DUSUP. Upon such employment we expect to receive a majority of our revenue from BG, Shell, Pertamina, Petrobras and DUSUP.

We may be unable to retain our existing customers if:

our customers are unable to make charter payments because of its financial inability, disagreements with us or otherwise;

v in certain circumstances, our customers may exercise their right to terminate their charters early, in the event of:

Ø a loss of the vessel;

Ø a default of our obligations under the charter;

Ø a war or hostilities that would significantly disrupt the free trade of the vessel;

Ø a requisition by any governmental authority; or

Ø with respect to the Golar Spirit and Golar Winter, upon six months' written notice at any time after the fifth anniversary of the commencement of the charter, Petrobras:

- may exercise its option to purchase the vessel after a specified time period upon payment of a termination fee;
- may terminate the charters of either because we fail to deliver the Golar Spirit or the Golar Winter if: (i) we do not deliver the vessel on time, (ii) the vessel is lost or damaged beyond repair, (iii) there are serious deficiencies in the vessel, (iv) there are prolonged periods of off-hire, or we default under the charter;
- the vessel fails to satisfy certain contractual performance requirements after delivery.

Ø with respect to the Golar Freeze, upon six months' written notice at any time after the fifth anniversary of the commencement of the charter, DUSUP may exercise its option to terminate the charter upon payment of a termination fee.

va prolonged force majeure event affecting the customer, including damage to or destruction of relevant production facilities, war or political unrest which may prevent us from performing services for that customer.

The loss of any of our customers may have an adverse effect on our business, results of operations and financial condition.

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 eight vessels trading on medium or long-term charters, which expire between 2009 and 2024, and a further two vessels commencing long-term charters in June 2008 and August 2009. The Company's other vessels are trading in the spot/short-term charter market, the market for chartering an LNG carrier for a single voyage or short time period up to one year. Medium to long-term time charters generally provide reliable revenues and they also limit the portion of our fleet available for short-term business 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 will depend upon, among other things, economic conditions in the LNG market. We also cannot assure you that we will be able to successfully employ our vessels in the future or re-deploy our LNG carriers following completion of their fixed-term agreements at rates sufficient to allow us to operate our business profitably or meet our obligations. If we are unable to re-deploy an LNG carrier, 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 our results of operations and ability to meet our financing obligations.

Our charters with Shell have variable rates and certain termination rights.

Three of our vessels are time chartered to Shell, the Gracilis, the Grandis and the Granosa, under five year charter agreements, which may be terminated by Shell under certain circumstances. The charter rates we earn from these charters are variable and are directly connected to the 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.

Due to the lack of diversification in our lines of business, adverse developments in the LNG industry would negatively impact our results of operations, financial condition and our ability to pay dividends.

We currently rely primarily on the revenues generated from our business of transporting LNG. Due to the lack of diversification in our lines of business, an adverse development in our LNG business, or in the LNG industry, generally would have a significant impact on our business, financial condition and results of operations and our ability to pay dividends to our shareholders.

We may incur losses if we are unable to expand into other areas of the LNG industry

A principal component of our strategy is to expand profitably into other areas of the LNG industry beyond the traditional transportation of LNG. We have not previously been involved in other LNG industry businesses and our expansion into these areas may not be profitable and we may incur losses including losses in respect of expenses incurred in relation to project development. Our ability to integrate vertically into upstream and downstream LNG activities depends materially on our ability to identify attractive partners and projects and obtain project financing at a reasonable cost.

If there are substantial delays or cost overruns in completion of the modification of three of our vessels to FSRUs or if they do not meet performance requirements our earnings and financial condition could suffer.

In September 2007, we entered into time charter agreements with Petrobras which require the conversion of the Golar Spirit and the Golar Winter into FSRUs. After their respective conversions, both the Golar Spirit and the Golar Winter will be chartered by Petrobras on 10 year time charters, each with a charterer's option to extend the charter for up to an additional five years. The Petrobras charters commence on the delivery of each of the vessels, which we expect in the second quarters of 2008 and 2009, respectively.

In April 2008, we entered into a time charter with DUSUP which also requires conversion of the Golar Freeze into a FSRU. The time charter is for a period of 10 years with a charter's option to extend the charter for an additional five years. The DUSUP charter will commence on the delivery of the vessel, which we expect in the second quarter of 2010.

While newbuilding FSRUs have been constructed in the past, no LNG carrier has been retrofitted for FSRU service. Due to the new and highly technical process, retrofitting an existing LNG carrier for FSRU service may only be performed by a limited number of contractors, thus, a change of contractors may result in higher costs or a significant delay to our existing delivery schedule. Furthermore, the completion of the retrofitting of LNG vessels is subject to the risk of cost overrun. Any delay in delivery to Petrobras or DUSUP would likely lead to us paying liquidated damages. Any substantial delay in the conversion of our LNG vessels into FSRUs would result in our breach of the Petrobras or DUSUP time charter agreements, which may lead to their termination. In addition, if the vessels do not meet the performance requirements under the charters, the charter rates could be adjusted downwards or the contracts cancelled. The occurrence of any or a combination of the above risks would have a significant negative impact on our cash flows and earnings.

Our lack of experience in operating FSRUs could adversely affect our ability to operate profitably, expand our relationships with existing customers and obtain new customers.

We have no experience in providing floating storage and regasification services, which are technically complicated. We expect delivery of the Golar Spirit, the Golar Winter and the Golar Freeze in the second quarter of 2008, 2009 and 2010, respectively. As we have no experience in operating FSRUs, it is difficult to predict our management needs. Accordingly, we may be required to increase the number of employees. In addition, the market for FSRUs is smaller and less mature than the market for LNG carriers. Our lack of experience in operating FSRUs and the uncertain nature of the market in the future could adversely affect our ability to operate profitably, expand our relationships with existing customers and obtain new customers. Our failure to achieve any of these objectives could have a material adverse effect on our business, results of operations and financial condition.

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. Also, while we do not bear the cost of fuel (bunkers) under our time charters, fuel is a significant, if not the largest, expense in our operations when our vessels are offhire, idle during periods of commercial waiting time or when positioning or repositioning before or after a time charter. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil-producing countries and regions, regional production patterns and environmental concerns. 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 our results of operation.

Our success depends to a significant extent upon the abilities and the efforts of our senior executives. While we believe that we have 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.

An increased shortage of qualified officers and crew could have an adverse effect on our business and financial condition.

LNG carriers and FSRUs require a technically skilled officer staff with specialized training. As the world LNG carrier fleet and FSRU fleet continue to grow, the demand for technically skilled officers and crew has been increasing, which has led to a shortfall of such personnel. Increases in our historical vessel operating expenses have been attributable primarily to the rising costs of recruiting and retaining officers for our fleet. In addition, our FSRUs will require an additional engineer, deck officer and cargo officer. Furthermore, each key officer crewing an FSRU must receive specialized training related to the operation and maintenance of the regasification equipment. If we or our third party ship managers are unable to employ technically skilled staff and crew, we will not be able to adequately staff our vessels. A material decrease in the supply of technically skilled officers or an inability of our third party managers to attract and retain such qualified officers could impair our ability to operate or increase the cost of crewing our vessels, which would materially adversely affect our business, financial condition and results of operations and significantly reduce our ability to make distributions to shareholders.

In addition, the Golar Spirit and Golar Winter will be employed by Petrobras in Brazil. As a result, we will be required to hire a certain portion of Brazilian personnel to crew these vessels in accordance with Brazilian law. Any inability to attract and retain qualified Brazilian crew members could adversely affect our business, results of operations and financial condition.

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.

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 the ownership interest controlled by John Fredriksen, our chairman, and his affiliated entities falls below 25% of our share capital, a default of some of our loan agreements and lease agreements to which we are a party would occur.

Similarly, if we were to be in any other form of default which we could not remedy, such as payment default, our lessors, having legal title to our leased vessels, or our lenders, who have mortgages over some of our vessels, could be entitled to sell our vessels in order to repay our debt and or lease liabilities.

Covenants in our loan and lease agreements may effectively prevent us from paying dividends should our Board of Directors wish to do so and may require us to obtain permission from our lenders and lessors to engage in some other corporate actions. Our lenders' and lessors' interests may be different from those of our shareholders and we cannot guarantee investors that we will be able to obtain our lenders' and lessors' permission when needed. This may adversely affect our earnings and prevent us from taking actions that could be in our shareholders' best interests.

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

Our loan and lease agreements require us 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. Although we currently comply with these requirements if we were to fall below these levels we would be in default of our loans and lease agreements and the due date of our debt could be accelerated and our lease agreements terminated, which could result in the loss of our vessels. Our ability to comply with covenants and restrictions contained in our 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. If restrictions, covenants, ratios or tests in our debt instruments are breached, a significant portion of the obligations may become immediately due and payable. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our financing arrangements are secured by certain of our vessels and guaranteed by our subsidiaries holding the interests in our vessels, and if we are unable to repay debt under the credit facility, the lenders could seek to foreclose on those assets.

Eight of our vessels are financed by U.K. tax leases. In the event of any adverse tax changes or a successful challenge by the U.K. Revenue authorities with regard to the initial tax basis of the transactions or in the event of an early termination of a lease, we may be required to make additional payments to the U.K. vessel lessors, which could adversely affect our earnings and financial position.

Eight of our vessels are financed by U.K. tax leases. In the event of any adverse tax changes to legislation affecting the tax treatment of the leases for the U.K. vessel lessors or a successful challenge by the U.K. Revenue authorities to the tax assumptions on which the transactions were based, or in the event that we terminate one or both of our U.K. tax leases before their expiration, we would be required to return all or a portion of, or in certain circumstances significantly more than, the upfront cash benefits that we have received or that have accrued over time, together with fees that were financed in connection with our lease financing transactions, or post additional security or make additional payments to the U.K. vessel lessors. Any additional payments could adversely affect our earnings and financial position. The upfront benefits we have received equates to the cash inflow we received in connection with the six leases we entered into during 2003 (in total approximately £41 million British pounds).

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

A large part of our cash flow from operations must go to paying principal and interest on our debt and lease agreements. As of December 31, 2007, our net indebtedness (including loan debt, capital lease obligations, net of restricted cash and short-term deposits and net of cash and cash equivalents) was \$816.0 million and our ratio of net indebtedness to total capital (comprising net indebtedness plus shareholders' equity and minority interest) was 0.58.

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.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have

We are a Bermuda corporation. Our memorandum of association and Bye-laws and the Bermuda Companies Act 1981, as amended, govern our affairs. Investors may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction. Under Bermuda law, a director generally owes a fiduciary duty only to the company; not to the company's shareholder. Our shareholders may not have a direct course of action against our directors. In addition, Bermuda law does not provide a mechanism for our shareholders to bring a class action lawsuit under Bermuda law. Further, our Bye-laws provide for the indemnification of our directors or officers against any liability arising out of any act or omission except for an act or omission constituting fraud, dishonesty or illegality.

Because our offices and most of our assets are outside the United States, you may not be able to bring suit against us, or enforce a judgment obtained against us in the United States.

Our executive offices, administrative activities and assets are located outside the United States. As a result, it may be more difficult for investors to effect service of process within the United States upon us, or to enforce both in the United States and outside the United States judgments against us in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States.

We may have to pay tax on United States source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations recently promulgated thereunder.

We expect that we and each of our subsidiaries will qualify for this statutory tax exemption and we will take this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to United States federal income tax on our United States source income. Therefore, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 of the Code for any taxable year, we, or our subsidiaries, could be subject for those years to an effective 4% United States federal income tax on the gross shipping income these companies derive during the year that are attributable to the transport or cargoes to or from the United States. The imposition of this tax would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

Terrorist attacks, 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 conflicts in Iraq and 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.

In addition, LNG facilities, shipyards, vessels (including conventional LNG carriers and FSRUs), pipelines and gas fields could be targets of future terrorist attacks. Any such attacks could lead to, among other things, bodily injury or loss of life, vessel or other property damage, increased vessel operational costs, including insurance costs, and the inability to transport LNG to or from certain locations. Terrorist attacks, war or other events beyond our control that adversely affect the production, storage, transportation or regasification of LNG to be shipped or processed by us could entitle our customers to terminate our charter contracts, which would harm our cash flow and our business.

Terrorist attacks, or the perception that LNG facilities, LNG carriers and FSRUs are potential terrorist targets, could materially and adversely affect expansion of LNG infrastructure and the continued supply of LNG to the United States and other countries. Concern that LNG facilities may be targeted for attack by terrorists has contributed to significant

community and environmental resistance to the construction of a number of LNG facilities, primarily in North America. If a terrorist incident involving an LNG facility, LNG carrier or FSRU did occur, in addition to the possible effects identified in the previous paragraph, the incident may adversely affect construction of additional LNG facilities or FSRUs or the temporary or permanent closing of various LNG facilities or FSRUs currently in operation.

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

As of December 31, 2007, we had a total long-term debt and net capital lease obligations (net of restricted cash) outstanding of \$1,012.5 million. As of March 31, 2008, we had a total long-term debt and net capital lease obligations of \$1,114.5 million of which currently \$989.5 million is exposed to a floating rate of interest. We also use interest rate swaps to manage interest rate risk. As of March 31, 2008, our interest rate swap arrangements effectively fix the interest rate exposure on \$632.3 million of floating rate bank debt and capital lease obligation. 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 are hedged to a large extent. However, movements in interest rates may require us 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, including, among others, the British Pound and the Euro. If the U.S. Dollar weakens significantly, we would be required to convert more U.S. Dollars to other currencies to satisfy our obligations, which would cause us to have less cash available for distribution.

We are exposed to foreign currency exchange fluctuations as a result of expenses paid by certain subsidiaries in currencies other than U.S. dollars, such as British pounds (GBP), in relation to our administrative office in the U.K., operating expenses incurred in a variety of foreign currencies and Euros and Singapore dollars, among others, 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 to our financial results.

Under the charters for the Golar Spirit and the Golar Winter, we will generate a portion of our revenues in Brazilian Reais. Income under these charters is split into two components. The component that relates to operating expenses (the minority) is paid in Brazilian Reais, whereas the capital component is paid in U.S. Dollars. We will incur some operating expenses in Brazilian Reais but we will also have to convert Brazilian Reais into other currencies, including U.S. Dollars, in order to pay the remaining operating expenses incurred in other currencies. If the Brazilian Real weakens significantly, we may not have sufficient Brazilian Reais to convert to other currencies to satisfy our obligations in respect of the operating expenses related to these charters, which would have a negative effect on our financial results and cash flows.

We have entered into currency forward contracts or similar derivatives to mitigate our exposure to these foreign exchange rate fluctuations in respect of our capital commitments relating to our FSRU conversion contracts.

Eight of our vessels are financed by U.K. tax leases, seven of which are denominated in British pounds. The majority of our British pound capital lease obligations are hedged by British pound cash deposits securing the lease obligations or by currency swap. However, these are not perfect hedges and a significant strengthening of the U.S. dollar could give rise to an increase in our financial expenses and could materially affect our financial results (see Item 11- Foreign currency risk).

We have invested \$8.6 million in an Australian listed company, Liquefied Natural Gas Limited. We may lose some or all of this investment.

The value of our investment in Liquefied Natural Gas Limited, or LNGL may be impacted by many factors, including LNGL's future financial results, the general stock market movements in the Australian stock exchange and other events over which we have no control. We may lose some or all of our investment in LNGL.

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 our ability to pay dividends.

In order to fund future vessel acquisitions, increased working capital levels or 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 vessel acquisitions or capital expenditures could impact our results of operations, financial condition and our ability to pay dividends. The issuance of additional equity securities would dilute your interest in our Company and reduce dividends payable to you. 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 our business, results of operations, cash flows, financial condition and ability pay dividends.

We are a holding company, and our ability to pay dividends will be limited by the value of investments we currently hold and by the distribution of funds from our subsidiaries.

We are a holding company whose assets mainly comprise of equity interests in our subsidiaries and other quoted and non-quoted companies. As a result, should we decide to pay dividends we would be dependent on the performance of our operating subsidiaries and other investments. If we were not able to receive sufficient funds from our subsidiaries and other investments, including from the sale of our investment interests, we will not be able to pay dividends unless we obtain funds from other sources. We may not be able to obtain the necessary funds from other sources on terms acceptable to us.

Risks Related to the LNG Shipping 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, labor 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.

If our vessels suffer damage, they may need to be repaired. The costs of vessel repairs are unpredictable and can be substantial. We may have to pay repair costs that our insurance policies do not cover. The loss of earnings whilst these vessels are being repaired, as well as the actual cost of these repairs, would decrease our results of operations. If one of our vessels were involved in an accident with the potential risk of environmental contamination, the resulting media

coverage could have a material adverse effect on our business, our results of operations and cash flows, weaken our financial condition and negatively affect our ability to pay dividends.

Decreases in charter rates for LNG carriers when we are seeking to re-deploy our vessels may adversely affect our earnings.

Charter rates for LNG carriers fluctuate over time as a result of changes in the supply-demand balance relating to current and future LNG carrier capacity. This supply-demand relationship largely depends on a number of factors outside our control. The LNG market is closely connected to world natural gas prices and energy markets, which we cannot predict. A substantial or extended decline in natural gas prices could adversely affect our charter business as well as our business opportunities. Our ability from time to time to charter or re-charter any vessel at attractive rates will depend on, among other things, the prevailing economic conditions in the LNG industry.

Maritime claimants could arrest our vessels, which could interrupt our cash flow.

If we are in default on some kinds of obligations, such as those to our crew members, suppliers of goods and services to our vessels or shippers of cargo, these parties may be entitled to a maritime lien against one or more of our vessels. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. In a few jurisdictions, claimants could try to assert “sister ship” liability against one vessel in our fleet for claims relating to another of our vessels. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay to have the arrest lifted. Under some of our present charters, if the vessel is arrested or detained for as little as 14 days as a result of a claim against us, we may be in default of our charter and the charterer may terminate the charter.

The LNG transportation industry is competitive and we may not be able to compete successfully, which would adversely affect our earnings.

The LNG transportation industry in which we operate is competitive, especially with respect to the negotiation of long-term charters. Competition arises primarily from other LNG carrier owners, some of whom have substantially greater resources than we do. Furthermore, new competitors with greater resources could enter the market for LNG carriers and FSRUs and operate larger fleets through consolidations, acquisitions, or the purchase of new vessels, and may be able to offer lower charter rates and more modern fleets. If we are not able to compete successfully, our earnings could be adversely affected. Competition may also prevent us from achieving our goal of profitably expanding into other areas of the LNG industry.

Our vessels are required to trade globally and we must therefore conduct our operations in many parts of the world, and accordingly our vessels are exposed to international risks, which could reduce revenue or increase expenses.

We conduct global operations and transport LNG from politically unstable regions. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism and other efforts to disrupt shipping. The terrorist attacks against targets in the United States on September 11, 2001, the military response by the United States and the conflict in Iraq may increase the likelihood of acts of terrorism worldwide. Acts of terrorism, regional hostilities or other political instability could affect LNG trade patterns and reduce our revenue or increase our expenses. Further, we could be forced to incur additional and unexpected costs in order to comply with changes in the laws or regulations of the nations in which our vessels operate. These additional costs could have a material adverse impact on our operating results, revenue, and costs.

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. Certain of our insurance coverage is maintained through mutual protection and indemnity associations, and as a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may

result in the lack of availability of, insurance against risks of environmental damage or pollution. A marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results. Any uninsured or underinsured loss could harm our business and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, upon renewal or expiration of our current policies, the insurance that may be available to us may be significantly more expensive than our existing coverage.

We may incur significant liability that would increase our expenses if any of our LNG carriers discharged fuel oil (bunkers) into the environment.

International environmental conventions, laws and regulations, including United States' federal laws, apply to our LNG carriers. If any of the vessels that we own or operate were to discharge fuel oil into the environment, we could face claims under these conventions, laws and regulations. We must also carry evidence of financial responsibility for our vessels under these regulations. United States law also permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and a number of states have enacted legislation providing for unlimited liability for oil spills.

Any future changes to the laws and regulations governing LNG carrier vessels could increase our expenses to remain in compliance.

The laws of the nations where our vessels operate as well as international treaties and conventions regulate the production, storage, and transportation of LNG. Our operations are materially affected by these extensive and changing environmental protection laws and other regulations and international conventions, including those relating to equipping and operating our LNG carriers and FSRUs. We have incurred, and expect to continue to incur, substantial expenses in complying with these laws and regulations, including expenses for vessel modifications and changes in operating procedures. While we believe that we comply with current regulations of the International Maritime Organization, or IMO, any future non-compliance could subject us to increased liability, lead to decreases in available insurance coverage for affected vessels and result in the denial of access to, or detention in, some ports. Furthermore, future United States federal and state laws and regulations as then in force, or future regulations adopted by the IMO, and any other future regulations, may limit our ability to do business or we may be forced to incur additional costs relating to such matters as LNG carrier construction, maintenance and inspection requirements, development of contingency plans for potential leakages and insurance coverage.

Growth of the LNG market may be limited by infrastructure constraints and community and political group resistance to new LNG infrastructure over concerns about environmental, safety and terrorism.

A complete LNG project includes production, liquefaction, regasification, storage and distribution facilities and LNG carriers. Existing LNG projects and infrastructure are limited, and new or expanded LNG projects are highly complex and capital intensive, with new projects often costing several billion dollars. Many factors could negatively affect continued development of LNG infrastructure and related alternatives, including FSRUs, or disrupt of the supply of LNG, including:

- increases in interest rates or other events that may affect the availability of sufficient financing for LNG projects on commercially reasonable terms;
- decreases in the price of LNG, which might decrease the expected returns relating to investments in LNG projects;
- the inability of project owners or operators to obtain governmental approvals to construct or operate LNG facilities;
- local community resistance to proposed or existing LNG facilities based on safety, environmental or security concerns;

- any significant explosion, spill or similar incident involving an LNG facility, LNG carrier or FSRU; and
- labor or political unrest affecting existing or proposed areas of LNG production and regasification.

We believe some of the proposals to expand existing or develop new LNG liquefaction and regasification facilities will be abandoned or significantly delayed due to the factors mentioned above. If the LNG supply chain is disrupted or does not continue to grow, or if a significant LNG explosion, spill or similar incident occurs, it could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

Risks Related to our Common Shares

Our Chairman may have the ability to effectively control the outcome of significant corporate actions.

John Fredriksen, our chairman, and his affiliated entities beneficially own 45.97% of our outstanding common shares. As a result, Mr. Fredriksen and his affiliated entities have 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.

Because we are a Bermuda corporation, you may have less recourse against us or our directors than shareholders of a U.S. company have against the directors of that U.S. Company.

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. Among these differences is a Bermuda law provision that permits a company to exempt a director from liability for any negligence, default, or breach of a fiduciary duty except for liability resulting directly from that director's fraud or dishonesty. Our bye-laws provide that no director or officer shall be liable to us or our shareholders unless the director's or officer's liability results from that person's fraud or dishonesty. Our bye-laws also require us to indemnify a director or officer against any losses incurred by that director or officer resulting from their negligence or breach of duty except where such losses are the result of fraud or dishonesty. Accordingly, we carry directors' and officers' insurance to protect against such a risk. In addition, under Bermuda law the directors of a Bermuda company owe their duties to that company, not to the shareholders. Bermuda law does not generally permit shareholders of a Bermuda company to bring an action for a wrongdoing against the company, but rather the company itself is generally the proper plaintiff in an action against the directors for a breach of their fiduciary duties. These provisions of Bermuda law and our bye-laws, as well as other provisions not discussed here, may differ from the law of jurisdictions with which investors may be more familiar and may substantially limit or prohibit shareholders ability to bring suit against our directors.

Investor confidence and the market price of our common stock may be adversely impacted if we are unable to comply with Section 404 of the Sarbanes-Oxley Act of 2002.

We are subject to Section 404 of the Sarbanes-Oxley Act of 2002, which requires us to include in our annual report on Form 20-F, our management's report on, and assessment of the effectiveness of, our internal controls over financial reporting. If we fail to maintain the adequacy of our internal controls over financial reporting, we will not be in compliance with all of the requirements imposed by Section 404. Any failure to comply with Section 404 could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could harm our business and could negatively impact the market price of our common stock. We believe the ongoing costs of complying with these requirements may be substantial.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We are a LNG Shipping company formed on May 10, 2001 from our predecessor. We are engaged in the acquisition, ownership, operation and chartering of LNG carriers and FSRUs through our subsidiaries. As of April 2008, our fleet consisted of 13 vessels. We lease eight LNG carriers under long-term financial leases, we owned four vessels and we own a 60% interest in the Golar Mazo through a joint arrangement with the Chinese Petroleum Corporation, the

Taiwanese state oil and gas company. Five of our LNG carriers are currently contracted under long-term charters, two LNG carriers are currently contracted under short-term charters and three vessels are in medium term, five-year market related charter contracts with Shell. In addition, we have entered into three, 10 year charters for three of our LNG carriers upon the completion of their conversion for FSRU service. We expect delivery of these vessels in the second quarter of 2008, 2009 and 2010, respectively.

We are incorporated under the laws of the Islands of Bermuda and maintain our principal executive headquarters at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda. Our telephone number at that address is (+1) 441-295-4705. Our principal administrative offices are located at 30 Marsh Wall, London, United Kingdom.

Our business was originally founded in 1946 as Gotaas-Larsen Shipping Corporation. Gotaas-Larsen entered the LNG shipping business in 1970 and was acquired by Osprey Maritime Limited, then a Singapore listed publicly traded company, in 1997. In May 2001, World Shipholding Ltd., a company indirectly controlled by John Fredriksen, our chairman and president, completed an acquisition of Osprey, which was then delisted from the Singapore Stock Exchange. On May 21, 2001, we acquired the LNG shipping interests of Osprey. World Shipholding currently owns 45.97% of our issued and outstanding common shares.

We listed on the Oslo Stock Exchange in July 2001 and on Nasdaq in December 2002.

Since May 2001, our primary acquisitions and capital expenditures have been in connection with the construction of seven newbuildings. During the three years ended December 31, 2007, we have invested \$382.0 million in our newbuildings, principally purchase installments and taken delivery of six vessels. In February 2007, we signed an agreement to sell our seventh newbuilding prior to its scheduled delivery in mid 2007 for proceeds of approximately \$92.5 million. In April 2007, we were awarded contracts, by Petrobras, to convert Golar Winter and Golar Spirit into FSRUs. Both time charters are for a period of 10 years with an option to extend for up to a further five years. Employment of Golar Spirit is expected to commence during the second quarter of 2008 and the Golar Winter is expected to commence in the second quarter of 2009. Both vessels will need to undergo modifications before going on hire in Brazil. The Golar Spirit is currently at Keppel Shipyard in Singapore undergoing its conversion. In addition in January 2008 we completed the purchase of an LNG carrier from Shell.

In the three years ended December 31, 2007, we have invested a total of \$18.9 million to acquire interests in a number of companies, principally:

- In 2006, we purchased 23 million shares in Liquefied Natural Gas Limited, or LNGL, an Australian publicly listed company, for a consideration of \$8.6 million, making us LNGL's largest shareholder. As of December 31, 2007, we had a 16.97% interest.
- In November 2006, we invested \$5.0 million to purchase a 20% interest in OLT Offshore Toscana S.p.A, or OLT-O, an Italian unincorporated company involved in the construction, development, operation and maintenance of a Floating Storage Regasification Unit, or FSRU. As of December 31, 2007, we had a 16.4% interest.

During 2007, we disposed of our entire interest in Korea Line Corporation, or Korea Line, a Korean shipping company listed on the Korean stock exchange, which we had acquired during 2003 and 2004 at a cost of \$34.1 million, which resulted in an aggregate gain on disposal of \$73.6 million.

B. Business Overview

We are a leading independent owner and operator of liquid natural gas (or LNG) carriers. As of April 2008, we have a fleet of 13 LNG carriers, two of which are being retrofitted for floating storage and regasification unit service. We are seeking to further develop our business in other areas of the LNG supply chain other than shipping, in particular innovative marine based solutions such as FSRU's and floating LNG production.

The Natural Gas Industry

Natural gas is one of the world's fastest growing energy sources and is likely to continue to be so for at least the next 20 years. Already responsible for approximately 20% of the world's energy supply, the International Energy Agency, or IEA, projects that LNG will provide for around 45% of the global supply growth of natural gas between 2005 and 2010. According to the IEA, unprecedented growth in new gas fired power plants are expected to provide a substantial part of this incremental demand.

The rate of growth of natural gas consumption has been almost twice that of oil consumption during the last decade. The primary factors contributing to the growth of natural gas demand include:

- Costs: Technological advances and economies of scale have lowered capital expenditure requirements.

- 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 Power Generation: According to the IEA, natural gas is the fastest growing fuel source for electricity generation worldwide accounting for around 30 - 40% of the total incremental growth in world-wide natural gas consumption