GOLAR LNG LTD
Form 20-F
July 10, 2009

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

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

For the fiscal year ended December 31, 2008

OR

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

For the transition period from to

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
Commission file number 000-50113

Golar LNG Limited
(Exact name of Registrant as specified in its charter)

(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, (1) 441 295 4705, (1) 441 295 3494
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 per share	NASDAQ (GS)

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 per share

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

Yes No X

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

Note- Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer	Accelerated filer	X	Non-accelerated filer

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 as issued by the International Accounting Standards Board	Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17	X	Item 18

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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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," "may," "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 the petroleum production levels of the organization of the petroleum exporting countries, or OPEC, and worldwide 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, the current turmoil in the global financial markets and deterioration thereof, 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, or the 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," "Golar," "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 financial and other data summarize our historical consolidated financial information. We derived the information as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008 from our audited Consolidated Financial Statements included in Item 18 of this annual report on Form 20-F, which were 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, 2005 and 2004 and the selected balance sheet data as of December 31, 2006, 2005 and 2004 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 the section of this annual report entitled Item 5, "Operating and Financial Review and Prospects" and the Company's Consolidated Financial Statements and Notes thereto included herein.

	Fiscal Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands of U.S. $, except number of shares, per common share data, fleet and other financial data)				
Income Statement Data:					
Total operating revenues	228,779	224,674	239,697	171,042	163,410
Gain on sale of vessel/newbuilding	78,108	41,088	-	-	-
Vessel operating expenses (1)	61,868	52,986	44,490	37,215	35,759
Voyage and charter-hire expenses (2)	33,126	10,763	9,582	4,594	2,561
Administrative expenses	17,815	18,645	13,657	12,219	8,471
Restructuring costs	-	-	-	1,344	-
Depreciation and amortization	62,005	60,163	56,822	50,991	40,502
Impairment of long-lived assets	110	2,345	-	-	-
Gain on sale of long-lived assets	430	-	-	-	-
Operating income	132,393	120,860	115,146	64,679	76,117
Gain on sale of available-for-sale securities	-	46,276	-	-	-
Net financial expenses	(132,761)	(65,592)	(52,156)	(39,319)	(25,304)
(Loss) income before equity in net earnings of investees, income taxes and minority interests	(368)	101,544	62,990	25,360	50,813
Income taxes and minority interests	(7,215)	(6,248)	(8,306)	(9,323)	(7,995)
Equity in net earnings (losses) of investees	(2,406)	13,640	16,989	18,492	13,015
Gain on sale of investee	-	27,268	-	-	-
Net (loss) income	(9,989)	136,204	71,673	34,529	55,833
(Loss) earnings per common share					
- basic (3)	(0.15)	2.09	1.09	0.53	0.85
- diluted (3)	(0.15)	2.07	1.05	0.50	0.84
Cash dividends declared and paid per common share	1.00	2.25	-	-	-
Weighted average number of shares – basic (3)	67,214	65,283	65,562	65,568	65,612
Weighted average number of shares - diluted (3)	67,214	65,715	65,735	65,733	65,797
Balance Sheet Data (as of end of year):					
Cash and cash equivalents	56,114	185,739	56,616	62,227	51,598

Restricted cash and short-term investments (4)	60,352	52,106	52,287	49,448	41,953
Amounts due from related parties	538	712	778	17	294
Long-term restricted cash (4)	557,052	792,038	778,220	696,308	714,802
Equity in net assets of non-consolidated investees	30,924	14,023	97,255	65,950	48,869
Newbuildings	-	-	49,713	111,565	145,233
Vessels and equipment, net	668,141	659,018	669,639	533,008	371,867
Vessels under capital lease, net	893,172	789,558	796,186	676,036	706,516
Total assets	2,359,729	2,573,610	2,566,189	2,230,695	2,110,329
Current portion of long-term debt	71,395	80,037	72,587	67,564	66,457
Current portion of obligations under capital leases	6,006	5,678	5,269	2,466	2,662
Long-term debt	737,226	735,629	803,771	758,183	636,497
Long-term obligations under capital leases (5)	784,421	1,024,086	1,009,765	801,500	842,853
Minority interest (6)	41,688	36,983	32,436	27,587	26,282
Stockholders' equity	452,145	552,532	507,044	434,554	402,770
Common shares outstanding (3)	67,577	67,577	65,562	65,562	65,612

	Fiscal Year Ended December 31,				
	2008	2007	2006	2005	2004
Cash Flow Data:					
Net cash provided by operating activities	48,495	73,055	117,219	71,026	82,028
Net cash (used in) provided by investing activities activities	(83,548)	224,435	(268,993)	(213,176)	(356,113)
Net cash (used in) provided by financing activities	(94,572)	(168,367)	146,163	152,779	207,800
Fleet Data (unaudited)					
Number of vessels at end of year (7)	14	12	12	10	9
Average number of vessels during year (7)	13	12	11.52	10	8.33
Average age of vessels (years)	13.9	14.7	13.7	15.3	15.9
Total calendar days for fleet	4,836	4,380	4,214	3,645	3,023
Total operating days for fleet (8)	4,466	3,732	3,845	2,976	2,660
Other Financial Data (Unaudited):					
Adjusted EBITDA (9)	$ 191,922	$ 268,207	$ 188,957	$ 134,162	$ 129,634
Average daily time charter equivalent earnings (9)	$ 45,700	$ 51,000	$ 55,700	$ 46,200	$ 54,900
Average daily vessel operating costs (10)	$ 12,793	$ 12,097	$ 10,558	$ 10,210	$ 11,800

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 relating to the outsourcing of our day-to-day vessel management activities to third party ship managers, 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.

Charter-hire expense – refers to the charge for vessels chartered-in under operating leases.

(3) Basic earnings per share is computed based on the income available to common shareholders and the weighted average number of shares outstanding. Treasury shares are not included in the calculation. 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 deposits made in accordance with our contractual obligations under our equity swap line facilities. Please see the section of this annual report entitled Item 5, "Operating and Financial Review and Prospects – Results of Operations" for a discussion of our equity swap line facilities.

(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, except for 2008, we chartered-in two vessels under short-term charters and we had a 60% ownership interest in one of our vessels and a 100% ownership 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 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,				
	2008	2007	2006	2005	2004
	(in thousands of U.S.$)				
Net (loss) income	(9,989)	136,204	71,673	34,529	55,833
Depreciation and amortization	62,005	60,163	56,822	50,991	40,502
Interest income	(45,828)	(54,906)	(40,706)	(35,653)	(31,879)
Interest expense	96,489	112,336	101,298	82,479	61,987
Other financial items, net	82,100	8,162	(8,436)	(7,507)	(4,804)
Income taxes and minority interest	7,215	6,248	8,306	9,323	7,995
Adjusted EBITDA	191,922	268,207	188,957	134,162	129,634

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 drydocking. The following table reconciles our total operating revenues to average daily TCE. However, TCE is not defined under U.S. GAAP. We note, however, that because not all companies use identical calculations, this presentation of TCE may not be comparable to similarly titled measures of other companies in our industry.

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	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands of U.S.$, except number of days and average daily TCE)				
Total operating revenues	228,779	224,674	239,697	171,042	163,410
Voyage expenses	(24,483)	(10,763)	(9,582)	(4,594)	(2,561)
	204,296	213,911	230,115	166,448	160,849
Calendar days less scheduled off-hire days	4,466	4,197	4,130	3,602	2,930
Average daily TCE (to the closest $100)	45,700	51,000	55,700	46,200	54,900

(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, 2008, we received 86.3% of our revenues from three customers, BG Group plc, or BG, accounted for 32.8%, Royal Dutch Shell Plc, or Shell, accounted for 37.3% and PT Pertamina (PERSERO), or Pertamina, accounted for 16.2% of our total operating revenues, respectively. Following the recent conversion of the Golar Winter in May 2009 and after the expected conversion of the Golar Freeze in the second quarter of 2010, into floating storage re-gasification units, or FSRUs, these vessels are scheduled to be employed under 10-year time charters with Petroleo Brasiero S.A., or Petrobras, and Dubai Supply Authority, or DUSUP, respectively. 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:

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

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

a. a loss of the vessel or damage to it beyond repair;

b. a default of our obligations under the charter, including prolonged periods of off-hire;

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

d. a requisition by any governmental authority;

e. with respect to the Golar Spirit, Golar Winter and Golar Freeze, upon six months' written notice at any time after the fifth anniversary of the commencement of the charter, the charterers (Petrobras and DUSUP) may exercise their option to terminate the charter upon payment of a termination fee;

f. with respect to the Golar Spirit and Golar Winter, Petrobras may exercise its option to purchase each vessel after a specified period of time; or

g. with respect to the Golar Winter and Golar Freeze, the charterers may terminate the charters of either because we fail to deliver the vessels on time or the vessels fail to satisfy certain contractual performance requirements after delivery.

3. a 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 nine vessels trading on medium or long-term charters, which expire between 2010 and 2024, and one vessel commencing its long-term charter in the second quarter of 2010, respectively. Our other vessels are available for trade or trading in the spot/short-term charter market, the market for chartering a liquid natural gas, or LNG, carrier for a single voyage or short time period of up to one year. However, two of our vessels (one of which is our 50% equity interest in the vessel, the Gandria) are currently in lay-up and are unlikely to trade for the balance of 2009. Medium to long-term time charters generally provide reliable revenues and they also limit the portion of our fleet available to the spot/short-term market during an upswing in the LNG industry cycle, when spot/short-term market voyages might be more profitable.

The charter rates payable under time charters or in the spot market may be uncertain and volatile and will depend upon, among other things, economic conditions in the LNG market. The supply and demand balance for LNG carriers and FSRUs is also uncertain. In the period from 2004, the excess supply of vessels over demand has negatively impacted our results and we expect this oversupply to continue during 2009 as LNG carriers and FSRUs continue to be delivered ahead of LNG production projects for which they were built. Until these LNG production projects commence and utilize some of these vessels, the supply of LNG carriers is likely to be greater than the demand, which would have a negative impact on charter rates and levels of utilization of LNG carriers in the spot/ short-term charter market. Additionally, the fall in demand for natural gas worldwide due to the current economic climate and the subsequent fall in gas prices could have a negative impact on LNG shipping demand. The earnings from our vessels on medium-term charters to Shell will also be impacted by the development of charter rates and demand in the spot market. These factors could also influence the results of operations from spot market activities and the Shell charters beyond 2009.

We also cannot assure you that we will be able to successfully employ our vessels in the future or re-deploy our LNG carriers and FSRUs 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 or FSRU, such as the LNG carriers currently in lay-up, we will not receive any revenues from that vessel, but we may be required to pay expenses

necessary to maintain the vessel in proper operating condition. A decline in charter or spot rates or a failure to successfully charter our vessels could have a material adverse effect on 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 medium-term 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.

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

We enter into among other things, charter-parties with our customers, conversion contracts with shipyards, credit facilities with banks, interest rate swaps, foreign currency swaps, equity swaps. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LNG market and charter rates. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or may be able to obtain a comparable vessel at a lower rate. As a result, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under these contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

Currently, we rely primarily on the revenues generated from our business of transporting and regasifying 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. Other than the recent FSRU conversions of the Golar Spirit and the Golar Winter, we have not been involved in FSRU or 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 two of our vessels to FSRUs or if they do not meet certain 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. The Petrobras charters commence on the delivery of each of the vessels. The Golar Spirit's FSRU conversion was completed and its charter commenced in July 2008. The Golar Winter completed its FSRU conversion at the end of May 2009 and commenced its long-term charter in early July 2009, subject to the successful completion of performance test runs scheduled for the second half of July 2009.

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 charterer'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. We expect the FSRU conversion of the Golar Freeze to begin in September 2009.

While newbuilding FSRUs have been constructed in the past, the Golar Spirit is the world's first LNG carrier to have 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 carriers is subject to the risk of cost overrun. Any delay in delivery to 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 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 limited experience in providing floating storage and regasification services, which are technically complicated. In addition to the delivery of the Golar Spirit and commencement of its long-term charter with Petrobras in July 2008 and the delivery of the Golar Winter at the end of May 2009, which commenced its long-term charter in early July 2009, subject to the successful completion of performance test runs scheduled for the second half of July 2009, we expect delivery of the Golar Freeze in the second quarter of 2010. As we have a limited history of providing floating storage regasification services, it is difficult to predict our management needs. Accordingly, we may be required to increase the number of employees. We will also have to operate our floating storage and regasification services in new locations and expand our customer base. We may not be successful in executing our growth plans and may incur significant expenses and losses in connection with our future line of business which could negatively impact our 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 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 are employed by Petrobras in Brazil. As a result, we are 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.

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

Terrorist attacks, such as the attacks that occurred in the United States on September 11, 2001, the bombings in Spain on March 11, 2004, the bombings in London on July 7, 2005, and the current 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 or piracy. 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.

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 in us 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. As of March 31, 2009, we were in compliance with all of the covenants contained in our loan and lease agreements.

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, minimum loan to value clauses and debt service coverage ratios. 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. In the event we enter into waiver agreements with our lenders for covenant breaches, such waiver agreements may result in a significant increase in our debt cost. We may not have, or be able to obtain, sufficient funds to make these accelerated payments and if we are unable to repay debt under the credit facilities, the lenders could seek to foreclose on those assets. 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.

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.

We have recently converted two of our existing LNG carriers into FSRUs and we have remaining contractual obligations of approximately $80 million in respect of converting the Golar Freeze into an FSRU. In June 2009, we entered into an $80 million revolving credit facility with World Shipholding Ltd., or World Shipholding, a company indirectly controlled by our Chairman, John Fredriksen, to provide us with short-term bridge financing. All amounts due under the facility must be repaid within two years from the date of the first draw down. If we are not able to raise long-term financing prior to expiry of this facility we will be in default under the World Shipholding revolving credit facility, which may also cause cross default in respect of our other debt.

In order to fund future FSRUs, liquefaction projects, vessel acquisitions, increased working capital levels or other capital expenditures, we may be required to use cash from operations, incur borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations may reduce the amount of cash available for dividend distributions. Our ability to obtain bank financing or to access the capital markets for any future debt or equity offerings may be limited by our financial condition at the time of such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain funds for future capital expenditures could impact our results of operations, financial condition and our ability to pay dividends. The issuance of additional equity securities would dilute 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.

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, or GBP).

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

A large portion of our cash flow from operations is used to repay the principal and interest on our debt and lease agreements. As of December 31, 2008, 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 $943.3 million and our ratio of net indebtedness to total capital (comprising net indebtedness plus shareholders' equity and minority interest) was 0.66.

We may also incur additional indebtedness to fund our possible expansion into other areas of the LNG industry, for example in respect of our FSRU projects. Debt payments reduce our funds available for expansion into other parts of the LNG industry, working capital, capital expenditures and other purposes. In addition, our business is capital intensive and requires significant capital outlays that result in high fixed costs. We cannot assure investors that our existing and future contracts will provide revenues adequate to cover all of our fixed and variable costs.

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

As of December 31, 2008, we had a total long-term debt and net capital lease obligations (net of restricted cash) outstanding of $1,010.7 million. As of March 31, 2009, we had a total long-term debt and net capital lease obligations of $1,030.3 million of which currently $234.8 million is exposed to a floating rate of interest. We also use interest rate swaps to manage interest rate risk. As of March 31, 2009, our interest rate swap arrangements effectively fix the interest rate exposure on $795.4 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 is 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.

If the recent volatility in LIBOR continues, it could affect our profitability, earnings and cash flow.

LIBOR has recently been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the recent disruptions in the international credit markets. This is because the interest rates borne by our outstanding indebtedness fluctuate with changes in LIBOR, if this volatility were to continue, it would affect the amount of interest payable on our debt exposed to a floating rate of interest, which as of March 31, 2009 was $234.8 million, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

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, GBPs, Euros, Norwegian Krone and Singapore Dollars. 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 GBP, in relation to our administrative office in the U.K., operating expenses incurred in a variety of foreign currencies including 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 GBPs. The majority of our GBP capital lease obligations are hedged by GBP 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.

Exposure to equity price risk in our shares and in the shares of other companies could adversely affect our financial results.

As a result of our holding of treasury shares and an equity swap (or total return swap) in our own securities, as of July 10, 2009 we are effectively exposed to the movement in our share price in respect of 350,000 treasury shares and 300,000 shares under the equity swap. Should the price of our shares fall materially below the level at which the shares were acquired, the equity swap mark-to-market valuations could adversely affect our results.

In addition to the above equity swap transactions indexed to our own securities, from time to time we may also enter into short-term equity swap arrangements indexed against other companies. As of July 10, 2009, we are exposed to the movement in the share price of 12,973,000 shares in Arrow Energy Limited, a company listed on the Australian stock exchange.

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.

United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to United States holders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." United States stockholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, we note that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States stockholders will face adverse United States tax consequences. Under the PFIC rules, unless those stockholders make an election available under the Code (which election could itself have adverse consequences for such stockholders), such stockholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of our common stock. Please see the section of this annual report entitled "Taxation" under Item 10E for a more comprehensive discussion of the United States federal income tax consequences if we were to be treated as a PFIC.

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.

In February 2009, our board of directors suspended the declaration and payment of dividends to stockholders to increase cash flow and strengthen the balance sheet for near-term project opportunities.

Risks Related to the LNG Shipping and FSRU Industry

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

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

- Marine disaster;
- Piracy;
- Environmental accidents; and

- Business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, 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 while 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.

The recent global financial crisis could negatively impact our business.

Recently, the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and difficulties characterized by the bankruptcy, failure, or sale of various financial institutions. The ongoing global financial crisis affecting the banking system and financial markets has resulted in a severe tightening in the credit markets, a low level of liquidity in financial markets, and volatility in credit and equity markets. This financial crisis may negatively impact our business and financial condition in ways that we currently cannot predict. In addition, the uncertainty about current and future global economic conditions caused by the financial crisis may cause our customers and governments to defer projects in response to tighter credit, decreased cash availability and declining customer confidence which may negatively impact the demand for our services. The recent tightening of the credit markets may further negatively impact our operations by affecting the solvency of our suppliers or customers which could lead to disruptions in delivery of supplies such as equipment for conversions, cost increases for supplies, accelerated payments to suppliers, customer bad debts or reduced revenues. Furthermore, a further decline in our share price or significant adverse change in market conditions could require us to take a further material impairment charge related to our long-term assets.

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

Charter rates for LNG carriers and FSRUs fluctuate over time as a result of changes in the supply-demand balance relating to current and future LNG 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.

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.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Throughout 2008 and early 2009, the frequency of piracy incidents has increased significantly, particularly in the Gulf of Aden off the coast of Somalia. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, as the Gulf of Aden was in May 2008, or Joint War Committee "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for vessels, could have a material adverse impact on our business, financial condition and results of operations.

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 or FSRUs discharged fuel oil (bunkers) into the environment.

International environmental conventions, laws and regulations, including United States' federal laws, apply to our LNG carriers and FSRUs. 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 and FSRU 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.

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

If we are in default of certain 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 few 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.

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 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 46.17% 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.

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

Generally, stock markets have recently experienced extensive price and volume fluctuations, and the market prices of securities of shipping companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of those companies. Our share price has been subject to significant volatility. Since September 30, 2008, the closing market price of our common shares on the NASDAQ has ranged from a high of $13.04 per share on October 1, 2008 to a low of $2.63 per share on March 9, 2009, largely reflecting the market for shares such as ours. As of June 30, 2009, our share price was $8.55. The market price of our common shares may continue to

fluctuate due to factors such as actual or anticipated fluctuations in our quarterly or annual results and those of other public companies in our industry, the suspension of our dividend payments, mergers and strategic alliances in the shipping industry, market conditions in the LNG shipping industry, shortfalls in our operating results from levels forecast by securities analysts, announcements concerning us or our competitors and the general state of the securities market. The market for common shares in this industry may be equally volatile. Therefore, we cannot assure you that you will be able to sell any of our common shares that you may have purchased at a price greater than or equal to its original purchase price.

Investors may experience significant dilution as a result of our intended corporate restructuring.

Our intended corporate restructuring, which we expect to complete in the near future, will result in the dilution of your ownership interest in us. We intend to transfer eight of our vessels, a 50% equity interest in an additional vessel, one chartered-in vessel and certain other assets and contractual arrangements to a new wholly-owned subsidiary, or Subsidiary. Following this restructuring we intend to sell a minority interest in the Subsidiary to raise equity proceeds in privately negotiated transactions which we expect will complete in the near future. We may also endeavour to list the Subsidiary on a national exchange. Please read the section of this annual report entitled Item 4B, "Business Overview – Our Business Strategy" for further information on our intended corporate restructuring.

The corporate restructuring, including the privately negotiated transactions and the potential exchange listing may have the following effects:

- Following the corporate restructuring you will hold an indirect ownership interest in the Subsidiary. Your ownership interest will be diluted by the amount our ownership interest is reduced in the Subsidiary. Because we may sell shares of the Subsidiary in privately negotiated transactions, the prices at which we sell these shares will vary and these variations may be significant. Purchasers of the shares we sell, as well as our existing shareholders, will experience significant dilution if we sell shares at prices significantly below the equivalent price at which they invested.

- The Subsidiary may issue additional common shares or we may sell all or part of our holdings in the Subsidiary further diluting your indirect ownership interest in the Subsidiary.

- Conflicts of interest may arise between the minority shareholders and us, the majority shareholder.

- The amount of cash available for paying dividends may decrease.

- The market price of our common shares may decrease.

We may raise further equity capital from the market and in privately negotiated transactions. The effect of this may be to depress our share price and dilute our shareholders' investment.

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.

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.

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 mid-stream LNG company engaged primarily in the transportation, regasification and liquefaction of LNG. We are engaged in the acquisition, ownership, operation and chartering of LNG carriers and FSRUs through our subsidiaries and the development of liquefaction projects. As of July 10, 2009, our fleet consisted of 13 vessels and a 50% equity interest in a LNG carrier. We lease eight vessels under long-term financial leases, we own three vessels including a 60% interest in the Golar Mazo through a joint arrangement with the Chinese Petroleum Corporation, the Taiwanese state oil and gas company and we chartered-in one vessel under a short-term charter. Five of our vessels are currently contracted under long-term charters and three vessels are in medium-term, five-year market related charter contracts with Shell. In addition, we have entered into two, 10-year charters for two of our LNG carriers upon the completion of their conversion to FSRUs. We took delivery of the Golar Winter at the end of May 2009, which commenced its long-term charter in early July 2009, subject to the successful completion of performance test runs scheduled for the second half of July 2009. We expect delivery of the Golar Freeze in the second quarter of 2010, which is scheduled to commence its long-term charter following its delivery to us. 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 One America Square, 17 Crosswall, 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 in 1997 was acquired by Osprey Maritime Limited, or Osprey, then a Singapore listed publicly traded company. In May 2001, World Shipholding Ltd., a company indirectly controlled by John Fredriksen, our chairman and president acquired Osprey, which was then delisted from the Singapore Stock Exchange. On May 21, 2001, we acquired the LNG shipping interests of Osprey and we listed on the Oslo Stock Exchange in July 2001 and on Nasdaq in December 2002. World Shipholding currently owns 46.17% of our issued and outstanding common shares.

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Since May 2001, our primary acquisitions and capital expenditures have been in connection with the construction of seven newbuildings and FSRU conversions. During the three years ended December 31, 2008, we invested $242 million in our newbuildings, principally purchase installments and took delivery of two vessels. In addition, in 2008, we purchased the Golar Arctic for the purchase price of $185 million from Shell and sold the Golar Frost to OLT Offshore Toscana S.p.A, or OLT-O, in July 2008, recognizing a gain of $78.1 million in the period.

During 2007 and 2008, we entered into time charter agreements which require the conversion of three LNG carriers the Golar Spirit, Golar Winter and the Golar Freeze into FSRUs. We entered into 10-year time charter agreements with Petrobras for the Golar Spirit and the Golar Winter and with DUSUP for the Golar Freeze, commencing upon delivery of each of these vessels. Employment of the Golar Spirit commenced in July 2008, the Golar Winter commenced its long-term charter in early July 2009, subject to the successful completion of performance tests scheduled for the second half of July 2009 and we expect delivery of the Golar Freeze to us in the second quarter of 2010. For the three years ended December 31, 2008, we invested $200.9 million in our vessels and equipment, primarily in the FSRU conversion of these three vessels.

During the three years ended December 31, 2008, we invested a total of $44.2 million to acquire interests in a number of companies, principally:

- In July 2008, we invested an initial sum of $22.0 million in a (50:50) Dutch Antilles incorporated joint venture named Bluewater Gandria N.V., or Bluewater Gandria, with Bluewater Energy Services B.V., or Bluewater, formed for the purposes of pursuing opportunities to develop offshore LNG FSRU projects. The initial equity investment was used to acquire a 1977 built LNG carrier, the Gandria, for conversion and use as a FSRU.

- In 2006, we purchased 23 million shares in LNGL, an Australian publicly listed company, for a consideration of $8.6 million, making us LNGL's largest shareholder. As of December 31, 2008, we had a 16% interest.

- In November 2006, we invested $5.0 million to purchase a 20% interest in OLT-O, an Italian unincorporated company involved in the construction, development, operation and maintenance of a FSRU. As of December 31, 2008, we had a 2.7% 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 of $73.6 million.

B. Business Overview

We are a leading independent owner and operator of LNG carriers and FSRUs. As of July 2009, we have a fleet of 13 LNG carriers, two of which have been converted into FSRUs plus another one which is about to undergo a similar conversion, and a 50% equity interest in a LNG carrier. We are seeking to further develop our business in other mid-stream areas of the LNG supply chain other than shipping, in particular innovative LNG solutions such as FSRUs, floating LNG production and liquefaction projects.

The Natural Gas Industry

Natural gas is one of the world's fastest growing energy sources and its growth is expected to continue for the next 20 years. Already responsible for just over 23% of the world's energy supply, the International Energy Agency, or IEA, has predicted that LNG (currently providing c.28% of total global gas trade) will provide for around 45% of the global

supply growth of natural gas up to 2010. According to the IEA 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.

- Market Deregulation: Deregulation of the gas and electric power industry in the United States, Europe and Japan, has resulted in new entrants and an increased market for natural gas.

- Significant Natural Gas Reserves: Approximately half of the world's remaining hydrocarbon reserves are natural gas. As of end of 2007 reserves of natural gas were estimated at approximately 6.26 trillion cubic feet (tcf) or more than 60 times the 100 tcf of natural gas produced worldwide in 2004.

- Emerging economies: Projected average increases in emerging economies consumption of natural gas of up to 4.1% per year up to 2025 has recently been forecast by the IEA as compared to 2.3% per annum average growth for transitional economies and 0.6% per annum for mature economies.

The LNG Industry

Overview

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

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

From 2000, LNG consumption has shown sustained annual growth of approximately 8% per year. The Energy Information Administration of the United States Department of Energy forecasts annual growth of LNG imports into the United States through 2030 amounting to approximately 8-10% per year.

In 2008, world LNG Trade involved 93 "flows" (i.e. country to country trades), of which 17 were new.

Production

There are three major regional areas that supply LNG. These are (i) Southeast Asia, including Australia, Malaysia, Brunei and Indonesia, and under construction in Russia (ii) the Middle East, including Qatar, Oman and United Arab Emirates, with facilities under construction in Yemen, and (iii) the Atlantic Basin countries, including Algeria, Egypt, Equatorial Guinea, Libya, Nigeria, Norway and Trinidad with facilities under construction in Angola. For the first time, South America will enter into the LNG industry when Peru completes construction of a LNG project next

year. The expansion of existing LNG production facilities is one of the major sources of growth in LNG production and most projects with gas reserves available are considering growth of production. At the end of 2008 there were 20 liquefaction facilities in operation in 15 countries.

Consumption

The two major geographic areas that dominate worldwide consumption of LNG are East Asia; including Japan, South Korea, Taiwan and China; and Europe, specifically Spain, France, Italy, Belgium and Turkey. In 2008, East Asia (including China) accounted for approximately 63% of the global LNG market even though year-on-year LNG demand growth is forecast to slow in 2009 from 2.8% in 2008 and 9.9% in 2007. According to World Gas Intelligence, Global LNG exports for the first two months of 2009 show an annualized decline of c.10.7 metric ton (Mt) giving an expected export total of c.162 Mt for all of 2009, a decline of just over 6% from 2008. 2008 saw a fall of some 55% in North American LNG imports to 7.28Mt but with a forecast rise in 2009 of over 20%. Eight LNG import terminals operate in the United States, namely; Lake Charles, Louisiana, Boston, Massachusetts, Elba Island, Georgia, Cove Point, Maryland, Freeport, Sabine Pass and the offshore terminals, Gulf Gateway and Northeast Gateway. In addition Costa Azul in Baja California, Mexico provides gas to Southern California. Expansion plans exist for the Lake Charles (up to 1.8 bcf/day), Elba Island (up to 1.7 bcf/day) and Cove Point (1.8 bcf/day) facilities. In addition four new terminals have commenced construction with many more terminals under consideration. However, it is unlikely that the majority of these plants will be constructed, due to demand, cost and environmental restrictions.

Argentina became the first Latin American country to import LNG in June 2008 via its Bahia Blanca Gasport terminal followed by Brazil via our converted LNG Carrier the Golar Spirit, which discharged LNG into the Petrobras gas network in Pecem in January of this year.

There are currently 20 LNG importing countries with more than 60 importing terminals. In 2008, Japan and South Korea remained the two largest importers of LNG, accounting for approximately 56% of the aggregate world LNG imports. Almost all natural gas consumption in Japan and South Korea is based on LNG imports.

The LNG Fleet

As of the end of June 2009, the world LNG carrier fleet consisted of 320 LNG carriers (including 12 FSRUs and Regasification Vessels, or RVs) with a total capacity of greater than 44.5 million cubic meters. Currently there are orders for around 63 (of all sizes) new LNG carriers (including 8 FSRU, RV vessels and Production units) with expected delivery dates through to end 2011.

The current 'standard' size for LNG carriers is approximately 155,000 cbm, up from 125,000 cbm during the 1970's. To assist with transportation unit cost reduction the average size of vessels is rising steadily and we have now seen the first deliveries of Q Max LNG Vessels of up to 266,000 cbm. There are also some smaller LNG carriers, mainly built for dedicated short distance trades. The cost of LNG carriers has fluctuated from $280 million in the early 1990s to approximately $230-$240 million for the most recently ordered current standard size depending on the mode of propulsion.

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

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

- The Moss system was developed in the 1970s and uses free standing insulated spherical tanks supported at the equator by a continuous cylindrical skirt. In this system, the tank and the hull of the vessel are two separate structures.

- The Membrane system uses insulation built directly into the hull of the vessel, along with a membrane covering inside the tanks to maintain their integrity. In this system, the ship's hull directly supports the pressure of the LNG cargo.

Illustrations of these systems are included below:

Moss System Membrane System

Of the current LNG vessels, including newbuildings on order, 66% employ the membrane containment system, 30% employ the Moss system and the remaining 4% employ other systems. Approximately 80% of newbuilds on order

have employed the membrane containment system, primarily because it most efficiently utilizes the entire volume of a ship's hull.

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

LNG Regasification Terminals

There are over 70 LNG regasification terminals operating in 20 countries. High natural gas prices and global economic growth has stimulated growth in LNG production and trade, as well as the necessary expansion of regasification infrastructure. Many existing regasification terminals have considered or are currently in the process of capacity expansions. Global regasification capacity is expected to grow by more than twice the rate of LNG supplies to 2010 resulting in a structural surplus. By 2010, global LNG regasification is forecasted to be 544 MTA while global liquefaction capacity is forecasted to be 255 MTA. Most of the LNG regasification terminals presently in operation, and most of those currently under development, are onshore facilities. Many of these terminals are in heavily populated regions and environmentally sensitive coastal areas, which face significant opposition from a range of government, community, and environmental groups. In many instances, this opposition has caused lengthy and costly delays in obtaining permits and the ultimate completion of these LNG regasification terminals. Additionally, when an importing region's natural gas demand is seasonal, onshore regasification terminals are more likely to increase the average cost of LNG in periods of greater demand to financially compensate for when an onshore terminal sits underutilized during periods of low demand.

Floating Regasification Terminals

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

FSRUs offer significant advantages because they may be employed in virtually any water depth, greatly increasing the number of locations where they may operate. In contrast to onshore terminals and gravity based structures, or GBSs, FSRUs are mobile and may also serve as conventional LNG carriers during periods of low demand and underutilization. FSRUs are significantly faster to build and, in most cases, less expensive than equivalent onshore or GBS facilities. Finally, in regions with political unrest or terrorism, the offshore location and the mobility of the FSRU provides safety to the crew and cargo.

FSRUs are disadvantaged to onshore terminals and GBSs because they generally have less storage and regasification capacity, may be dependent on favorable offshore marine and environmental conditions, and may require an offshore natural gas pipeline infrastructure to transport the gas to shore.

The figure below depicts an FSRU.

In general, FSRUs can be divided into four subcategories:

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

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

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

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

Competition – LNG carriers and FSRUs

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

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

In addition to independent LNG operators, some of the major oil and gas producers, including Royal Dutch Shell, BP, and BG own LNG carriers and intermittently contract for the construction of new LNG carriers. National gas and

shipping companies also have large fleets of LNG vessels which have and will likely continue to expand. These include Malaysian International shipping Company, or MISC, National Gas Shipping Company (Abu Dhabi) and Qatar Gas Transport Company, or Nakilat.

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

Our Business Strategy

Our strategy is to grow our business and to maximize returns to our shareholders while providing safe, reliable and efficient LNG shipping and FSRU service to our customers. In addition, we are developing opportunities to diversify into other areas of the mid-stream LNG supply chain to enhance our margins.

In respect of our shipping operations we intend to build on our relationships with existing customers and continue to develop new relationships. We aim to earn higher margins through maintaining strong service-based relationships combined with flexible and innovative LNG shipping solutions. We believe our customers will have the confidence to place their business with us on the basis that our core business is safe and reliable ship operation, while theirs is the profitable sale or purchase of LNG.

We have recently delivered the world's first FSRU, converted from a LNG carrier, and intend to take advantage of our position in this relatively new market, as well as our LNG experience and our shipping assets to grow our FSRU business.

In furtherance of our strategy to grow our business and maximise returns for our shareholders we are actively seeking opportunities to invest upstream and downstream in the LNG supply chain, where our shipping assets and over 30 years of industry experience can add value. We believe we can achieve this aim while at the same time diversifying our sources of income and thereby strengthen the Company.

Currently, we are investing in both established LNG operations and technologies, and newly developing technologies, such as floating regasification operations and floating LNG production. We expect to continue our focus on floating LNG solutions and related shipping services as a major area for our business development.

We have also recently announced our intention to restructure our Company to create a new subsidiary group which will concentrate on project and assets development and short-term business. Our long-term contracted business and assets will remain with us thereby creating one entity focused on long-term cash generating assets and the other focused on project development and shorter term business.

Specific projects we are actively pursuing include the following:

We have entered into time charter agreements with Petrobras in respect of the Golar Spirit and the Golar Winter and with DUSUP in respect of the Golar Freeze, which requires the conversion of these vessels into FSRUs. All three FSRUs will be chartered by Petrobras or DUSUP for 10-year periods, with options to extend the charter for up to an additional five years. The Golar Spirit completed its conversion in June 2008 and was delivered to Petrobras in July 2008. The Golar Winter completed its conversion at the end of May 2009 and commenced its long-term charter with Petrobras in early July 2009, subject to the successful completion of performance tests scheduled for the end of July 2009. The charter for the Golar Freeze is scheduled to commence upon completion of its conversion, which we expect in the second quarter of 2010. We are actively pursuing several other similar project opportunities, which include the provision of technical marine and LNG expertise for other technically innovative projects.

In April 2006, we entered into an agreement with LNGL, an Australian publicly listed company, to subscribe for 23 million of its shares in two tranches. We purchased the first tranche of 13.95 million shares in May 2006, at a cost of $5.1 million and the second tranche of the balance of the shares in June 2006, at a cost of $3.5 million. We currently hold a 13.6% ownership interest in LNGL. LNGL is a company focused on developing LNG liquefaction projects acting as a link between previously discovered but uncommercial gas reserves and potential new energy markets. We

intend to participate in LNGL's projects, as a buyer of LNG and a provider of shipping requirements. In February 2009, we announced our entry into a preliminary agreement relating to our 40% participation in the Gladstone LNG project. We expect the other project participants to be LNGL (40%) and Arrow Energy Limited (20%). We have also agreed to provide certain equity funding support to LNGL. The current estimated development cost for the LNG facility is approximately $500 million, with commencement of production expected in 2012. We have limited financial commitments before we decide to invest in the Gladstone LNG project. We expect to make an investment decision by the end of 2009.

In August 2008, we signed an agreement with PTTEP of Thailand for the purpose of jointly developing Floating LNG production (FLNG) opportunities. Both companies have identified the FLNG business opportunity that now exists and believe their complementary capabilities provide a strong platform for commercial growth. The agreement signed provides for the joint pursuit of projects on a worldwide basis with both companies sharing in the risks and rewards of developing FLNG opportunities. The joint approach is not tied to any particular technology or gas reservoir but rather recognizes that a range of technologies and gas reservoirs exists and believes that a flexible "field first approach" is the most appropriate strategic and commercial approach to FLNG. In a field first approach, the technology is tailored to the specific characteristics of the gas reservoir. It is the intention of both companies to move quickly and decisively with the objective of developing a portfolio of FLNG opportunities over time.

In June 2009, we signed an agreement with PTTEP to jointly enter into Front End Engineering and Design (FEED) studies for a proposed Australian FLNG project located in North West Australia. Agreement in principle has also been reached on the commercial structuring of the Australian FLNG project which provides that we participate in the gas value chain on a 50:50 basis with PTTEP. It is intended that we will farm into the gas reserves held by PTTEP resulting from its recent acquisition of Coogee Resources Limited.

Since June 2002, we have been involved in an Italian offshore floating storage and regasification project off the coast of Livorno, Italy. In February 2006, the project company OLT-O was advised that the government decree approving the terminal had been granted. In November 2006, we acquired 20% of shares in OLT-O, at a cost of $5 million. In December 2007, we entered into an agreement with OLT-O for the sale of and conversion into a FSRU of the Golar Frost, for $231 million. The sale of Golar Frost to the OLT-O joint venture was completed on July 2, 2008 and the vessel was immediately chartered back to us on a bareboat basis. The vessel was redelivered back to OLT-O on May 27, 2009, to commence its conversion to a FSRU. In March 2008, OLT-O signed a contract with Saipem S.p.A. for the conversion of the Golar Frost at a cost of €390 million (approximately $607 million) and also signed an agreement with SNAM RETE Gas for the construction of the pipeline connecting the terminal to the national grid. In January 2008, the board of directors of OLT-O agreed a capital increase of €200 million (approximately $311 million). We did not contribute to the capital increase and we have not committed to any further contributions. The current shareholding position is Group Iride 46.79% (subdivided between Iride Mercato 41.71% and ASA Livorno 5.08%), E.ON Ruhrgas 46.79%, OLT Energy 3.73% and Golar 2.69%.

In 2008, Golar and Bluewater formed a joint venture company Bluewater Gandria for the purposes of bidding to develop an offshore LNG FSRU opportunity with South Africa's national oil company, PetroSA. In connection with this bid, Bluewater Gandria acquired the 1977 built Moss type 126,000 m3 LNG Carrier, Hoegh Gandria (renamed Gandria). The vessel was intended to be used as the converted offshore FSRU. The bid for the offshore LNG FSRU opportunity with PetroSA was not successful. While the current status of the PetroSA tender is disappointing there remains a strong interest from many regions of the globe, particularly from the developing world where energy growth is strong, for employment of FSRUs as a means to gain rapid access to LNG. Both Golar and Bluewater continue to pursue several emerging opportunities to develop an offshore FSRU project.

We own a 14.8% ownership interest in TORP Technology AS, or TORP, which we acquired in 2005 at a cost of $3 million. We also have an option to use 33.4% of the capacity of TORP's offshore Alabama regasification terminal. TORP holds the rights to the HiLoad LNG Re-gasification and is planning to build an offshore LNG regasification terminal, which could be operational within 24 to 36 months from a final investment decision. The HiLoad LNG Re-gasification unit is a floating L-shaped terminal that docks onto the LNG carrier using the patented friction based attachment system (rubber suction cups) creating no relative motion between the carrier and the terminal. The HiLoad LNG Re-gasification unit is equipped with standard regasification equipment (LNG loading arms, pumps and vaporizers) and can accommodate any LNG carrier. The revised terminal design uses ambient air for heating the LNG, which reduces fuel costs. On January 12, 2006, TORP filed an application for a permit to build an offshore LNG regasification terminal, to be located 60 miles off the Alabama coast. In October 2008, TORP withdrew its

application in order to alter the technology in line with advice received from the regulator. In June 2009, TORP re-submitted to the U.S. Coast Guard its application for a license to build, own and operate the Bienville Offshore Energy Terminal for receipt and regasification of LNG. The ultimate size of our potential investment has yet to be determined.

In December 2005, we signed a shareholders' agreement with The Egyptian Natural Gas Holding Company, or EGAS, and HK Petroleum Services in respect of the setting up of a jointly owned company named Egyptian Company for Gas Services S.A.E., or ECGS, for the development of hydrocarbon business and in particular LNG related business. We have 50% of the voting rights, a 45% economic interest in ECGS and we would share in 50% of ECGS's losses. In 2008, the company established administrative offices in Cairo. Additionally, our activities have been registered with EGAS and Egyptian General Petroleum Corporation, or EGPC, which allows for ECGS to participate and compete in EGAS and EGPC sponsored tenders. The ultimate size of our potential investment has yet to be determined.

We will consider the acquisition of new assets through third party acquisition or through newbuilding contracts to support our business expansion.

Our Competitive Strengths

We believe we have established ourselves as a leading independent owner and operator of LNG carriers and FSRUs. Listed below are what we believe to be our key competitive strengths:

- Operational excellence: We are an experienced and professional provider of LNG shipping that places value on operating to the highest industry standards of safety, reliability and environmental performance.

- Customer relationships: Our success is directly linked to the service and value we deliver to our customers. Our customers and partners include some of the biggest participants in the LNG market: BG Group, Pertamina, Royal Dutch Shell (Shell) and Petrobras.

- Secure cash flow: 10 of our fleet of 13 vessels and a 50% equity interest in the Gandria are on, or are contracted to start, medium-term or long-term charters, which, provides a relatively secure and stable cash flow and a financial platform for us to grow and expand.

- LNG shipping experience: We have more than 30 years of experience of operating LNG ships. Our crewing activities are managed by three internationally recognized third party ship managers which all have access to a large pool of experienced LNG crew.

- Technical and Commercial experience and expertise: With our existing assets, extensive experience and significant technical and commercial expertise we are able to quickly take advantage of market opportunities as they arise and offer innovative solutions to our customers' needs.

- FSRU leadership position: We believe that our experience in converting the first FSRU from an LNG carrier provides us a first mover advantage in securing future FSRU opportunities.

- Relationship with the Fredriksen Group. We believe there are opportunities for meaningful operational and relationship-based synergies with members of the Fredriksen Group. For example, there are technical similarities between the floating production storage and offloading (FPSO) systems developed by Frontline Limited and the FSRU system developed by us which has enabled us to make use of a common pool of engineering talent. Furthermore, we have benefited in our dealings with shipbuilders and customers due to our affiliation with the Fredriksen Group.

As discussed above we are considering strategic opportunities in other areas of the LNG industry. To the extent we do expand into new businesses, there can be no assurance that we will be able to compete successfully in those areas. Our new businesses may involve competitive factors and risks that differ from those in the carriage of LNG and may include participants that have greater financial strength and capital resources than us.

Customers

We receive a substantial majority of our revenue from long-term charter agreements with four customers, BG, Shell, Pertamina and Petrobras.

Since 1989, we have chartered vessels to Pertamina. Our revenues from Pertamina were $37.1 million, $37.2 million and $61.9 million for the years ended 2008, 2007 and 2006, respectively, representing 16.2%, 16.6% and 25.8% of

our revenues over the same period, respectively. Pertamina currently charters one vessel from us.

Since 2000, we have chartered vessels to BG. Our revenues from BG were $75.1 million, $84.9 million and $87.3 million for the years ended 2008, 2007 and 2006, respectively, representing 32.8%, 37.8% and 36.4% of our revenues over the same period, respectively. BG currently charters four vessels from us.

Since 2006, we have chartered vessels to Shell. Our revenues from Shell were $85.3 million, $58.8 million and $43.6 million for the years ended 2008, 2007 and 2006, respectively, representing 37.3%, 26.2% and 18.2% of our revenues over the same period, respectively. We currently charter three vessels to Shell on five-year charters, which contain a variable charter hire rate which is tied to the spot market and two vessels on short-term charters. These agreements represent a significant extension of our relationship base and an important strategic link with Shell, who is one of the oldest and largest operators in the LNG market.

Since July 2008, we have chartered a vessel to Petrobras under a 10-year charter. We commenced a second FSRU charter in early July 2009.

We continue to develop relationships with the major players in the LNG industry, evidenced by our recent agreements with Petrobras for two 10-year FSRU time charters and DUSUP for one 10-year FSRU time charter. Other commercial relationships we have developed include those with other customers Total, GDFSuez, RasGas Qatargas (Qatar), Petronet (India), Sonatrach (Algeria) and MISC (Malaysia).

Our Fleet

Current Fleet

As of July 10, 2009, we operated a fleet of 13 vessels and we have a 50% equity interest in another vessel. Our current fleet represents approximately 5.5% of the worldwide LNG carrier fleet (of vessels larger than 100,000 cbm) by number. We lease eight LNG carriers under long-term financial leases, we own three vessels and we have a 60% ownership interest in another LNG carrier through a joint arrangement with the Chinese Petroleum Corporation, the Taiwanese state oil and gas company. We have also chartered-in one vessel on a short-term charter.

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

Vessel Name	Year of Delivery	Capacity cbm.	Flag	Type	Charterer	Current Charter Expiration	Charter Extension Options
Hilli	1975	125,000	MI	Moss	n/a(1)		
Gimi	1976	125,000	UK	Moss	BG	2010	
Golar Freeze	1977	125,000	UK	Moss/FSRU(2)	Chartered to BG until June 2009. Thereafter chartered to DUSUP upon conversion to an FSRU which we expect to be completed in the second quarter of 2010.	2020	Terms extending up to 2025
Khannur	1977	125,000	UK	Moss	BG	2010	
Golar Spirit	1981	128,000	MI	Moss/FSRU	Chartered to Petrobras as an FSRU.	2018	An three-year term and an additional two-year term
Golar Mazo (3)	2000	135,000	LIB	Moss	Pertamina	2017	Two additional five-year terms
Methane Princess	2003	138,000	UK	Membrane	BG	2024	Two additional five-year

							terms
Golar Winter	2004	138,000	MI	Membrane/ FSRU	Commenced its long-term charter with Petrobras as an FSRU in early July 2009, subject to the successful completion of performance test runs scheduled for the second half of July 2009.	2019	
Gracilis	2005	140,000	MI	Membrane	Shell	2011	
Grandis	2006	145,700	IOM	Membrane	Shell	2011	
Granosa	2006	145,700	MI	Membrane	Shell	2011	
Golar Arctic (formerly known as the Granatina)	2003	140,000	MI	Membrane	Spot Trading		n/a
Ebisu (4)	2008	145,000	BAH	Moss	Spot Trading		n/a
Gandria (5)	1977	126,000	NIS	Moss	n/a(1)		n/a

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

(1) Currently, the Hilli and Gandria are layed-up in Labuan, Malaysia.
(2) In 2008 we entered into an agreement to convert the Golar Freeze into a FSRU. Following its delivery to us in the second quarter of 2010, the Golar Freeze is scheduled to commence a 10-year time charter with DUSUP.
(3) We have a 60% ownership interest in the Golar Mazo with the remaining 40% owned by Chinese Petroleum Corporation.

(4) In October 2008, we chartered-in the Ebisu under a two-year time charter party.
(5) In connection with our joint venture Bluewater Gandria we have a 50% equity interest in the Gandria with the remaining 50% owned by Bluewater.

Newbuildings

We have entered into newbuilding contracts for the delivery of seven LNG carriers since the beginning of 2001, six of which have already been delivered, the seventh newbuilding was sold for gross consideration of $92.5 million, realizing a profit of $41.0 million. The sale was completed in March 2007.

The selection of and investment in newbuildings is a key strategic decision for us. We believe that our experience in the shipping industry has equipped our board of directors and senior management with the ability to determine when to acquire options for newbuildings and when to order the construction of newbuildings and the scope of those constructions. Our board of directors and senior management have established relationships with several shipyards, and this has enabled us to access the currently limited shipyard slots to build LNG carriers.

Our Charters

Our vessels transport LNG from various facilities around the world. Two of our vessels serve under long-term time charter arrangements, one serving routes between Indonesia and Taiwan, while the other is involved in the transportation of LNG from facilities in the Middle East, North Africa and Trinidad to ports principally in the United States and Europe but also Japan. A further three of our vessels are or will be operating on long-term charters providing FSRU services before end 2010 and a further three vessels are under charter to Shell and operate worldwide. These charters generally provide us with stable income and cash flows.

Two of our current LNG carriers are approaching the end of a long-term time charter over the next two to three years while the Hilli and our 50% equity interest in the Gandria are currently layed-up in Labuan, Malaysia providing possible FSRU conversion opportunities. The Golar Arctic, purchased from Shell in January 2008, is currently operating on the spot market and the Ebisu, our chartered-in vessel, recently finished its sub-charter to the North West Shelf Project.

Pertamina Charter. The Golar Mazo is chartered by Pertamina, the state-owned oil and gas company of Indonesia. The Golar Mazo, which we jointly own with the Chinese Petroleum Corporation, transports LNG from Indonesia to Taiwan under an 18-year time charter that expires at the end of 2017. Pertamina has options to extend the Golar Mazo charter for two additional periods of five years each.

Under the Pertamina charter, the operating and drydocking costs of the Golar Mazo are compensated by Pertamina on a cost pass-through basis. Pertamina also pay for hire of the vessel during scheduled drydockings up to a specified number of days for every two to three year period.

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BG Charters. BG, through its subsidiaries, charters three of our vessels on long-term time charters. These vessels, the Khannur, Gimi, (both approaching the end of their long-term commitments to BG) and the Methane Princess each transport LNG from export facilities in the Middle East and Atlantic Basin nations to ports on the east coast of the United States, Europe and Japan. BG determines the trading routes of these vessels. The Golar Freeze commenced a five–year charter with BG on March 31, 2003 and was redelivered to us in June 2009, as noted above. The charters for both the Khannur and the Gimi will now expire in the last quarter of 2010.

Petrobras Charters: In September 2007, we entered into 10-year time charter agreements with Petrobras which required the conversion of the Golar Spirit and the Golar Winter into FSRUs. The Petrobras charters commence on the delivery of each of the vessels. The Golar Spirit's FSRU conversion was completed and its charter commenced in July 2008. The Golar Winter recently completed its FSRU conversion at the end of May 2009 and commenced its long-term charter in early July 2009, subject to the successful completion of performance tests scheduled for the end of July 2009. The time charter employment for these vessels is covered by two contracts, a time charter party covering hire of the vessel payable in United States dollars and an operating and services agreement payable in Brazilian Reals. These two agreements are interdependent and when combined have the same effect as the time charters for our LNG carriers. Petrobras has the option to purchase the vessel(s) after the second anniversary of delivery to Petrobras and they also have the option to terminate the charter after the fifth anniversary of delivery to Petrobras for a termination fee.

Delivery for the Golar Winter is conditional upon certain performance requirements contained in the charter agreement. Petrobras must commence inspection within 30 days of delivery. If the vessel does not meet the required performance requirements and we are unable to repair the defects within a reasonable period of time, Petrobras has the right to accept delivery of the vessel and either pay us a reduced charter hire rate or terminate the charter. If the vessel fails to pass the delivery tests, where such tests were commenced after the 30 day period, Petrobras may not terminate the charter and must allow us to make the requisite repairs. Acceptance of the vessel occurs where the vessel meets or exceeds the required performance levels, or Petrobras fails to commence inspection within 30 days of delivery.

DUSUP Charter. In April 2008, we entered into a time charter with DUSUP which requires the conversion of the Golar Freeze into a FSRU. The time charter is for a period of 10 years with a charterer'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. DUSUP has an option to terminate the charter after the fifth anniversary of delivery to DUSUP upon payment of a termination fee.

In the event of the late delivery of the Golar Freeze, DUSUP has the right to receive compensation in the form of a full pass through of any liquidated damages received by us from our suppliers, including the shipyard.

Shell Charters. Shell currently charters three of our vessels on five-year charters. The rates we earn from these charters are market related, and therefore variable. As with all our other charters we may suffer periods of off-hire when the vessel is unable to transport cargo, however there is also the possibility of periods when we will not receive charter hire, in the event that Shell have no requirement for a given vessel in a given period and cannot sub-charter it to a third party. Although this structure effectively leaves the company open to market risk we believe that our utilization rate (i.e. the number of days for which we are paid hire in any given period) may be improved. Shell's international gas and LNG trading structures afford significantly more opportunity to create and sustain ongoing vessel utilization than is available to a stand-alone shipping company.

The five-year charter periods on the respective vessels commenced in January 2006 for the Grandis, March 2006 for the Gracilis and June 2006 for the Granosa, and are each scheduled to terminate in 2011. However, Shell has

termination rights throughout the charter period.

We have also appointed Shell Transport and Shipping Company, or STASCO as our third party managers for these three vessels.

Our charterers may suspend their payment obligations under the charter agreements for periods when the vessels are not able to transport cargo for various reasons. These periods, which are also called off-hire periods, may result from, among other causes, mechanical breakdown or other accidents, the inability of the crew to operate the vessel, the arrest or other detention of the vessel as the result of a claim against us, or the cancellation of the vessel's class certification. The charters automatically terminate in the event of the loss of a vessel.

Charter Renewal Options

Pertamina Charters. Pertamina has the option to extend the charter of the Golar Mazo for up to 10-years by exercising the right to extend for one or two additional five-year periods. Pertamina must give two years notice of any decision to extend. The revenue during the period of charter extension will be subject to adjustments based on our actual operating costs during the period of the extension.

BG Charters. BG has the option to extend the Methane Princess charter for two, five-year periods.

Petrobras Charters: Petrobras has the option to extend the charter period for both vessels, the Golar Spirit and the Golar Winter for up to five years by exercising its right to extend for an initial two year term and then a further three year term.

DUSUP Charter: DUSUP has the option to extend the charter of the Golar Freeze up to October 2025.

Golar Management Limited and Ship Management

Subsidiaries of Golar Management Limited (previously known as Golar Management (UK) Limited), or Golar Management, a wholly owned subsidiary of ours, operate eight of our vessels under long-term leases. Golar Management, which has offices in London and Oslo, also provides commercial, operational and technical support and supervision and accounting and treasury services to us.

Prior to February 2005, Golar Management provided all services related to the management of our vessels other than some of our crewing activities. Since February 2005, Golar Management has subcontracted to three internationally recognized third party ship management companies the day-to-day vessel management activities including routine maintenance and repairs; arranging supply of stores and equipment; ensuring compliance with applicable regulations, including licensing and certification requirements and engagement and provision of qualified crews. Ultimate responsibility for the management of our vessels, however, remains with Golar Management.

Our three third party ship managers are Thome Ship Management (Singapore), Wilhelmsen Ship Management (Oslo) and STASCO (London). Our decision to employ third party managers was primarily driven by our need to secure long-term high quality seafaring workforce for a growing fleet. We recognized that external ship management companies have access to larger pools of officers that can be trained to become LNG officers. With the expansion of the global LNG fleet, a shortage of well-qualified officers is considered a significant threat to operators in this shipping segment. Our decision was also influenced by our requirement to improve our technical teams' geographic coverage, given our fleet trade worldwide, and to be able to take advantage of economies and efficiencies of scale afforded by these managers.

Vessel Maintenance

We are focused on operating and maintaining our LNG carriers to the highest safety and industry standards and at the same time maximizing revenue from each vessel. It is our policy to have our crews perform planned maintenance on our vessels while underway, to reduce time required for repairs during drydocking. This will reduce the overall off-hire period required for dockings and repairs. Since we generally do not earn hire from a vessel while it is in drydock we believe that the additional revenue earned from reduced off-hire periods outweighs the expense of the additional crewmembers or subcontractors.

An upgrading program to refurbish and modernize our 1970s built liquefied natural gas carriers was largely completed with the drydocking of Khannur in March 2005. The Hilli, Gimi, Khannur and Golar Freeze have now all been fitted with, among other things, modern cargo monitoring and control equipment. In addition these vessels are undergoing a ballast tank re-coating program while in service. The completion of the ballast tank refurbishing program has been delayed somewhat but will now be completed by mid 2009.

We anticipate that the upgrading program will allow us to operate each of these vessels to their 40th anniversary and beyond that age if utilized in FSRU or storage service. We believe that the capital expenditure of this program will result in lower maintenance costs and improved performance in the future. We also believe this program has, and will, help us maintain our proven safety record and ability to meet customer expectations.

Insurance

The operation of any vessel, including LNG carriers and FSRUs, has inherent risks. These risks include mechanical failure, personal injury, collision, property loss, vessel or cargo loss or damage and business interruption due to political circumstances in foreign countries and/or war risk situations or hostilities. In addition, there is always an inherent possibility of marine disaster, including explosion, spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

We believe that our present insurance coverage is adequate to protect us against the accident related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage consistent with standard industry practice. However, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

The FSRUs are treated as vessels by our insurers and the term "vessel" also covers FSRUs in the following discussions.

We have obtained hull and machinery insurance on all our vessels against marine and war risks, which include the risks of damage to our vessels, salvage or towing costs, and also insure against actual or constructive total loss of any of our vessels. However, our insurance policies contain deductible amounts for which we will be responsible. We have also arranged additional total loss coverage for each vessel. This coverage, which is called hull interest and freight interest coverage, provides us additional coverage in the event of the total loss of a vessel.

We have also obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer will pay us the daily rate agreed in respect of each vessel for each day, in excess of a certain number of deductible days, for the time that the vessel is out of service as a result of damage, for a maximum of 240 days. The number of deductible days varies from 14 days for the new ships to 30 days for the older ships, also depending on the type of damage; machinery or hull damage.

Protection and indemnity insurance, which covers our third-party legal liabilities in connection with our shipping activities, is provided by a mutual protection and indemnity association, or P&I club. This includes third-party liability and other expenses related to the injury or death of crew members, passengers and other third-party persons, loss or damage to cargo, claims arising from collisions with other vessels or from contact with jetties or wharves and other damage to other third-party property, including pollution arising from oil or other substances, and other related costs, including wreck removal. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

Our current protection and indemnity insurance coverage for pollution is $1 billion per vessel per incident. The thirteen P&I clubs that comprise the International Group of Protection and Indemnity Clubs insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. Each P&I club has capped its exposure in this pooling agreement so that the maximum claim covered by the pool and its reinsurance would be approximately $5.45 billion per accident or occurrence. We are a member of Gard and Skuld P&I Clubs. As a member of these P&I clubs, we are subject to a call for additional premiums based on the clubs' claims record, as well as the claims record of all other members of the P&I clubs comprising the International Group. However, our P&I clubs have reinsured the risk of additional premium calls to limit our additional exposure. This reinsurance is subject to a cap, and there is the risk that the full amount of the additional call would not be covered by this reinsurance.

For our two operating FSRUs we have, due to formulations in their Time Charter Party contracts, also placed under Comprehensive General Liability ("CGL") insurance. This type of insurance is common for offshore operations and is additional to the P&L insurance. Our cover under the CGL insurance is $150 million per unit.

Environmental and other Regulations

Governmental and international agencies extensively regulate the handling and carriage of LNG. These regulations include international conventions and national, state and local laws and regulations in the countries where our vessels operate or where our vessels are registered. We cannot predict the ultimate cost of complying with these regulations, or the impact that these regulations will have on the resale value or useful lives of our vessels. Various governmental and quasi-governmental agencies require us to obtain permits, licenses and certificates for the operation of our vessels. Although we believe that we are substantially in compliance with applicable environmental laws and regulations and have all permits, licenses and certificates required for our operations, future non- compliance or failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

A variety of governmental and private entities inspect our vessels on both a scheduled and unscheduled basis. These entities, each of which may have unique requirements and each of which conducts frequent vessel inspections, include local port authorities, such as the U.S. Coast Guard, harbor master or equivalent, classification societies, flag state, or the administration of the country of registry, charterers, terminal operators and LNG producers.

All our third party Ship Managers are certified to the International Standards Organization (ISO) Environmental Standard for the management of the significant environmental aspects associated with the ownership and operation of a fleet of LNG carriers. This certification requires that the Company commit managerial resources to act on its environmental policy through an effective management system.

Regulation by the International Maritime Organization

The International Maritime Organization (IMO) is a United Nations agency that provides international regulations affecting the practices of those in shipping and international maritime trade. The requirements contained in the International Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, promulgated by the IMO, govern our operations. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies. Our Ship Managers each hold a Document of Compliance for operation of Gas Carriers.

Vessels that transport gas, including LNG carriers and FSRUs, are also subject to regulation under the International Gas Carrier Code, or IGC, published by the IMO. The IGC provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. Compliance with the IGC must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases in Bulk. Each of our vessels is in compliance with the IGC and each of our newbuilding contracts requires that the vessel receive certification that it is in compliance with applicable regulations before it is delivered. Non-compliance with the IGC or other applicable IMO regulations, may subject a shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports.

The IMO also promulgates ongoing amendments to the international convention for the Safety of Life at Sea 1974 and its protocol of 1988, otherwise known as SOLAS. This provides rules for the construction of ships and regulations for their operation with respect to safety issues. It requires the provision of lifeboats and other life-saving appliances, requires the use of the Global Maritime Distress and Safety System which is an international radio equipment and watchkeeping standard, afloat and at shore stations, and relates to the Treaty on the Standards of Training and Certification of Watchkeeping Officers, or STCW, also promulgated by IMO. Flag states, which have ratified the Convention and the Treaty generally, employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

In the wake of increased worldwide security concerns IMO did issue "The International Security Code for Ports and Ships" ("ISPS"). The objective of the ISPS, which came into effect on July 1, 2004, is to detect security threats and take preventive measures against security incidents affecting ships or port facilities. Our Ship Managers have developed Security Plans, appointed and trained Ship and Office Security Officers and all ships have been certified to meet the new ISPS Code.

Air Emissions

In September 1997, the IMO adopted Annex VI to the MARPOL Convention, Regulations for the Prevention of Pollution from Ships, to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone

depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. We believe that all our vessels are currently compliant in all material respects with current Annex VI regulations. Additional or new conventions, laws and regulations may be adopted that could require installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition. In October 2008, the IMO adopted amendments to Annex VI regarding nitrogen oxide and sulfur oxide emissions standards that will enter into force on July 1, 2010. The amended Annex VI would reduce air pollution from vessels by, among other things, (i) implementing a progressive reduction of sulfur oxide, emissions from ships, with the global sulfur oxide emission cap reduced initially from 4.50% to 3.50% beginning January 1, 2012 and then reduced progressively to 0.50%, by January 1, 2020, subject to a feasibility review to be completed no later than 2018; and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. Once these amendments become effective, we may incur costs to comply with these revised standards. The United States ratified the Annex VI amendments in October 2008, thereby rendering U.S. air emissions standards equivalent to IMO requirements. The directive 2005/33/EU, which is effective from January 1, 2010, bans the use of fuel oils containing more than 0.1% sulphur by mass by any merchant vessel while at berth in any EU country and this will result in extra costs and modification of the fuel supply systems in our vessels. Our initial investigation suggests that compliance can be achieved by investment in the purchase of LS fuel and alteration of operating procedures.

Ballast Water Management Convention

The IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with mandatory ballast water management methods meeting specified performance requirements. The BWM Convention will not enter into force until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. At the end of 2007 only 10 countries, representing 3.6% of the world's gross tonnage, had ratified it. This situation has not changed much through 2008. With the entry into force mechanism it is difficult to foresee exactly when the new Convention will enter into force. However, requirements for acceptable ballast water management methods have been given more exact dates. The main impact of these requirements is that ballast water exchange will be phased out as an acceptable method for complying with the convention during a period of time from 2009 to 2016, depending on ballast water capacity and date of delivery of the vessel. The existing Golar fleet of vessels are all constructed before 2009 and all have ballast capacity greater than 5,000 m3. For that group of vessels (Reg. B-3.1.2) Ballast Water Exchange can continue until end 2015, thereafter it has to be replaced by Ballast Water Treatment (subject to the Convention having been entered into force).

Bunkers Convention / CLC State certificate

The International convention on Civil Liability for Bunker Oil Pollution 2001, or the Bunker Convention, entered into force in State Parties to the Convention on November 21, 2008. The Convention provides a liability, compensation and compulsory insurance system for the victims of oil pollution damage caused by spills of bunker oil. The Convention make the ship owner liable to pay compensation for pollution damage (including the cost of preventive measures) caused in the territory, including the territorial sea of a State Party, as well as its economic zone or equivalent area. Registered owners of any sea going vessel and seaborne craft over 1,000 gross tonnage, of any type whatsoever, and registered in a State Party, or entering or leaving a port in the territory of a State Party, will be required to maintain insurance which meets the requirements of the Convention and to obtain a certificate issued by a State Party attesting that such insurance is in force. The State issued certificate must be carried on board at all times.

P&I Clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels have received "Blue Cards" from their P&I Club and are in possession of a CLC State-issued certificate attesting that the required insurance cover is in force.

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for the implementation and enforcement of international maritime regulations for all ships granted the right to fly its flag. The "Shipping Industry Guidelines on Flag State Performance" evaluates flag states based on factors such as sufficiency of infrastructure, ratification of international maritime treaties, implementation and enforcement of international maritime regulations, supervision of surveys, casualty investigations and participation at IMO meetings.

Environmental Regulation—OPA/CERCLA

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for environmental protection and clean up of oil spills. OPA affects all owners and operators whose vessels trade with the United States or its territories or possessions, or whose vessels operate in the waters of the United States, which include the U.S. territorial waters and the two hundred nautical mile exclusive economic zone of the United States. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, applies to the discharge of hazardous substances whether on land or at sea. Under OPA, vessel operators, including vessel owners, managers and bareboat or "demise" charterers, are "responsible parties" who are all liable regardless of fault,

individually and as a group, for all containment and clean-up costs and other damages arising from oil spills from their vessels. These "responsible parties" would not be liable if the spill results solely from the act or omission of a third party, an act of God or an act of war. The other damages aside from clean-up and containment costs are defined broadly to include:

- natural resource damages and related assessment costs;
- real and personal property damages;
- net loss of taxes, royalties, rents, profits or earnings capacity;
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards; and
- loss of subsistence use of natural resources.

OPA previously limited the liability of responsible parties to the greater of $1,200 per gross ton or $10.0 million per tanker that is over 3,000 gross tons (subject to possible adjustment for inflation). Amendments to OPA signed into law in July 2006 increased these limits on the liability of responsible parties with respect to tankers over 3,000 gross tons or $22.0 million per single hull tanker, and $1,900 per gross ton or $16.0 million per double hull tanker, respectively. The Act specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters. In some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining tanker owners' responsibilities under these laws.

CERCLA, which also applies to owners and operators of vessels, contains a similar liability regime and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 million. As with OPA, these limits of liability do not apply where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or wilful misconduct or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We anticipate that we will be in compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels will call.

OPA requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the limit of their potential strict liability under OPA. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one vessel is required to demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the vessel having the greatest maximum liability under OPA/CERCLA. Each of our shipowning subsidiaries that has vessels trading in U.S. waters has applied for, and obtained from the U.S. Coast Guard National Pollution Funds Center, three-year certificates of financial responsibility, supported by guarantees which we purchased from an insurance-based provider. We believe that we will be able to continue to obtain the requisite guarantees and that we will continue to be granted certificates of financial responsibility from the U.S. Coast Guard for each of our vessels that is required to have one.

Environmental Regulation—Other Regulations

Most U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. The European Union has proposed regulations, which, if adopted, may regulate the transmission, distribution, supply and storage of natural gas and LNG at land based facilities. It is not clear what form these regulations, if adopted, would take.

European Union Regulations

In 2005, the European Union adopted a directive on ship-source pollution, imposing criminal sanctions for intentional, reckless or negligent pollution discharges by ships. The directive could result in criminal liability for pollution from vessels in waters of European countries that adopt implementing legislation. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Kyoto Protocol, entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol. However, the European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from vessels. In the United States, the Attorneys General from 16 states and a coalition of environmental groups in April 2008 filed a petition for a writ of mandamus, or petition, with the DC Circuit Court of Appeals, or the DC Circuit, to request an order requiring the EPA to regulate greenhouse gas emissions from ocean-going vessels under the Clean Air Act. Although the DC Circuit denied the petition in June 2008, EPA then published an Advanced Notice of Proposed Rulemaking soliciting comments on whether greenhouse gas emissions should be regulated under the Clean Air Act. Climate change initiatives will also be considered by the U.S. Congress in this session. Any future passage of climate control legislation or other regulatory initiatives by the IMO, European Union or individual countries where we operate that restrict emissions of greenhouse gases could entail financial impacts on our operations that we cannot predict with certainty at this time.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. In December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facility Security Code, or the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of ship security alert systems, which do not sound on the vessel but only alerts the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including, the name of the ship and of the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- to comply with flag state security certification requirements.

We have implemented the various security measures addressed by SOLAS and the ISPS Code, and our fleet is in compliance with applicable security requirements.

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of that particular class of vessel as laid down by that society.

Our FSRUs are "classed" as vessels and have obtained the additional class notation REGAS-2 signifying that the regasification installations are designed and approved for continuous operation. The reference to "vessels" in the following, also apply to our FSRUs.

For maintenance of the class certificate, regular and extraordinary surveys of hull, machinery, including the electrical plant and any special equipment classed, are required to be performed by the classification society, to ensure continuing compliance. Vessels are drydocked at least once during a five-year class cycle for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the shipowner within prescribed time limits. The classification society also undertakes on request of the flag state other surveys and checks that are required by the regulations and requirements of that flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society, which is a member of the International Association of Classification Societies. All of our

vessels have been certified as being "in class." The Golar Mazo and the Golar Arctic are certified by Lloyds Register, and our other vessels are each certified by Det norske Veritas, both are members of the International Association of Classification Societies.

In-House Inspections

Our ship managers carry out inspections of the ships on a regular basis; both at sea and while the vessels are in port, while we carry out inspection and ship audits to verify conformity with managers' reports. The results of these inspections, which are conducted both in port and underway, result in a report containing recommendations for improvements to the overall condition of the vessel, maintenance, safety and crew welfare. Based in part on these evaluations, we create and implement a program of continual maintenance for our vessels and their systems.

C. Organizational Structure

See the section of this annual report entitled Item 19, "Exhibits - Exhibit 8.1" for a list of our significant subsidiaries.

D. Property, Plant and Equipment

The Company's Vessels

For information on our fleet, please see the section of this item entitled "Our Fleet."

We do not own any interest in real property. We sublease approximately 7,000 square feet of office space in London for our ship management operations.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

Overview and Background

The following discussion of our financial condition and results of operations should be read in conjunction with the sections of this annual report entitled Item 3, "Key Information – Selected Financial Data," Item 4, "Information on the Company" and our audited financial statements and notes thereto. Our financial statements have been prepared in accordance with U.S. GAAP. This discussion includes forward-looking statements based on assumptions about our future business. Please read the section of this annual report entitled "Cautionary Statement Regarding Forward Looking Statements" for more information. You should also review the section of this annual report entitled Item 3, "Key Information - Risk Factors" for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.

Market Overview and Trends

Our principal focus and expertise is the transportation, regasification and liquefaction of LNG. We are engaged in the acquisition, ownership, operation and chartering of LNG carriers and FSRUs through our subsidiaries and the development of liquefaction projects. As of July 2009, our fleet consisted of 13 vessels and a 50% equity interest in a LNG carrier. A full fleet list is provided in Item 4.D, "Information on the Company - Our Fleet" showing the vessels that we currently own and charter-in.

Following the redelivery of the Golar Frost to OLT-O in May 2009, we currently have three vessels the Golar Arctic, the Ebisu, the Hilli and a fourth vessel, our 50% equity interest vessel, the Gandria, not committed to contracts for the balance of 2009. Rates payable in this market may be uncertain and volatile. The supply and demand balance for LNG carriers is also uncertain. In the period from 2004, the excess supply of vessels over demand has negatively impacted our results and we expect this oversupply to continue during 2009 as LNG carriers continue to be delivered ahead of LNG production projects they were built for. While we believe there could be up to a 30% increase in LNG production capacity during 2009 which would increase the worldwide LNG shipping requirement the fall in demand for natural gas worldwide due to the current economic climate and the subsequent fall in gas prices could have a

negative impact on LNG shipping demand. In addition we have in recent years observed a seasonal trend in rates with the rates earned in the summer months depressed compared with winter rates but we cannot be sure of the future development. The earnings from our vessels on charter to Shell will also be impacted by the development of charter rates and demand in the spot market. These factors could also influence the results of operations from spot market activities and the Shell charters beyond 2009.

Please see the section of this annual report entitled Item 4, "Information on the Company – Business Overview – the LNG industry" for further discussion of the LNG market in 2008 and 2009.

Factors Affecting the Comparability of Future Results

Our historical results of operations and cash flows are not indicative of results of operations and cash flows to be expected in the future, principally for the following reasons:

- The Golar Spirit, the Golar Winter and the Golar Freeze will be operated in a substantially different manner. Until November 2006, the Golar Spirit operated under a long-term time charter with Pertamina, which generated $25.5 million of total operating revenue for the year ended December 31, 2006. The Golar Spirit operated in the spot market under short-term time charters at significantly lower rates from November 2006 until October 2007. In October 2007, the Golar Spirit entered the shipyard to undergo retrofitting for FSRU service, which completed in June 2008. While in the shipyard, the Golar Spirit did not generate any revenue. In July 2008, the Golar Spirit commenced FSRU service under its long-term charter with Petrobras.

The Golar Winter has operated in the spot market under short-term time charters since its delivery in 2004 until its entry into the shipyard for retrofitting for FSRU service in September 2008. The Golar Winter completed its FSRU conversion and was redelivered from the shipyard at the end of May 2009. Again while in the shipyard the Golar Winter did not generate any revenue. In 2008, the Golar Winter generated $19.4 million of total operating revenue.

The Golar Freeze has operated under a long-term charter with BG since 2003, which expired in June 2009. Following the end of its BG charter, it is expected to enter the shipyard for retrofitting for FSRU service in September 2009. Upon delivery and acceptance by its charterer, the Golar Freeze will be operated as a FSRU under a 10-year time charter.

The Hilli operated under a long-term charter with BG until April 2008. The vessel is currently in lay-up and we anticipate that in time we will convert the vessel to a FSRU. In connection with this we have ordered some of the long lead time items required for the conversion.

We may retrofit other vessels for FSRU service in the future. Please see our discussion in the section of this annual report entitled Item 4, "Information on the Company – Business Overview."

- FSRU operating expenses will be higher than the operating expenses for LNG carriers and will increase our exposure to foreign exchange rates. Our historical operating expenses reflect the operation of the Golar Spirit (until the commencement of its FSRU service in July 2008), the Golar Winter and the Golar Freeze as LNG carriers. Following the completion of their retrofitting and operation as FSRUs, we expect to incur higher operating expenses on average with respect to their operation as FSRUs compared to conventional LNG vessels. We expect these increased operating expenses to be offset by increased charter hire revenues. In addition, the majority of our expenses and revenues have in the past been denominated in U.S. Dollars. Under the Petrobras charters, we will incur a portion of our expenses and receive a portion of our revenues in Brazilian Reais and, therefore, we expect to have increased exposure to foreign exchange rates.

- We expect continued inflationary pressure on crew costs. Due to the specialized nature of operating LNG carriers and FSRUs, the increase in size of the worldwide LNG carrier fleet and the limited pool of qualified officers, we believe that crewing and labor related costs will continue to experience increases.

- We expect to incur additional Brazilian taxes in connection with our operation of the FSRUs in Brazil. Our operation of the Golar Spirit and the Golar Winter will result in our being subject to Brazilian taxes on the revenue we receive under the operation and services agreement with Petrobras. For the year ended December 31, 2008, we incurred $0.8 million of Brazilian taxes in connection with the commencement of the Golar Spirit FSRU charter in July 2008.

- Sale of the Golar Frost to OLT Offshore LNG Toscana in 2008 and the immediate charter back of the vessel until the end of May 2009. We sold the Golar Frost, for $231.0 million, recognizing a gain of $78.1 million in July

2008. We immediately chartered back the vessel on a short-term time charter until its redelivery to OLT-O at the end of May 2009.

- Investment in projects. We are continuing to invest in and develop our various projects, the costs we have incurred historically may not be indicative of future costs.

Factors Affecting Our Results of Operations

We believe the principal factors that will affect our future results of operations include:

- the number of vessels in our fleet, including our ability to make delivery of the Golar Freeze on its scheduled delivery date;
- whether Petrobras exercises its options to acquire the Golar Spirit or the Golar Winter and, if so, whether we can effectively redeploy the proceeds from any such exercise;
- whether Petrobras exercises its option to terminate the Golar Spirit or the Golar Winter charters upon payment of a termination fee;
- whether DUSUP exercises its option to terminate the Golar Freeze charter upon payment of a termination fee;
- our ability to maintain good relationships with our five key existing customers (including Petrobras) and to increase the number of our customer relationships;
- increased demand for LNG shipping services, including FSRU services, and in connection with this is the underlying demand and supply for natural gas and specifically LNG;
- the success or failure of the LNG infrastructure projects that we are working on or may work on in the future;
- our ability to successfully employ our vessels at economically attractive rates, as our charters expire or are otherwise terminated;
- our ability to obtain debt financing in respect of our capital commitments in the current difficult credit markets;
- the effective and efficient technical management of our vessels;
- our ability to obtain and maintain major international energy company approvals and to satisfy their technical, health, safety and compliance standards; and
- economic, regulatory, political and governmental conditions that affect the shipping industry. This includes changes in the number of new LNG importing countries and regions and availability of surplus LNG from projects around the world, as well as structural LNG market changes allowing greater flexibility and enhanced competition with other energy sources.

In addition to the factors discussed above, we believe certain specific factors have impacted, and will continue to impact, our combined results of operations. These factors include:

- the hire rate earned by our vessels and unscheduled off-hire days;
- non-utilization for vessels not subject to fixed rate charters;
- pension and share option expense;
- mark-to-market charges in interest rate, equity swaps and foreign currency derivatives;

- foreign currency exchange gains and losses;
- our access to capital required to acquire additional vessels and/or to implement our business strategy;
- the performance of our equity interests;
- increased crewing costs; and
- our level of debt and the related interest expense and amortization of principal.

Please see the section of this annual report entitled Item 3, "Key Information - Risk Factors" for a discussion of certain risks inherent in our business.

Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

Total Operating Revenues. Total operating revenues refers to time charter revenues. We recognize revenues from time charters over the term of the charter as the applicable vessel operates under the charter. We do not recognize revenue during days when the vessel is off-hire, unless the charter agreement makes a specific exception.

Off-hire (Including Commercial Waiting Time). Our vessels may be out of service, that is, off-hire, for three main reasons: scheduled drydocking or special survey or maintenance, which we refer to as scheduled off-hire; days spent waiting for a charter, which we refer to as commercial waiting time; and unscheduled repairs or maintenance, which we refer to as unscheduled off-hire.

Voyage Expenses. Voyage expenses, which are primarily fuel costs but which also include other costs such as port charges, are paid by our customers under our time charters. However, we may incur voyage related expenses during off-hire periods when positioning or repositioning vessels before or after the period of a time charter or before or after drydocking, which expenses will be payable by us. We also incur some voyage expenses, principally fuel costs, when our vessels are in periods of commercial waiting time.

Time Charter Equivalent Earnings. 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 our time charters, this is calculated by dividing time charter revenues by the number of calendar days minus days for scheduled off-hire. Where we are paid a fee to position or reposition a vessel before or after a time charter, this additional revenue, less voyage expenses, is included in the calculation of TCE. For shipping companies utilizing voyage charters (where the vessel owner pays voyage costs instead of the charterer), TCE is calculated by dividing voyage revenues, net of vessel voyage costs, by the number of calendar days minus days for scheduled off-hire. TCE is a non-GAAP financial measure. Please see the section of this annual report entitled Item 3, "Key Information - Selected Financial Data" for a reconciliation of TCE to our total operating revenues.

Vessel Operating Expenses. Vessel operating expenses include direct vessel operating costs associated with operating a vessel, such as crew wages, which are the most significant component, vessel supplies, routine repairs, maintenance, lubricating oils, insurance and management fees for the provision of commercial and technical management services.

Depreciation and Amortization. Depreciation and amortization expense, or the periodic cost charged to our income for the reduction in usefulness and long-term value of our ships, is related to the number of vessels we own or operate under long-term capital leases. We depreciate the cost of our owned vessels, less their estimated residual value, and amortize the amount of our capital lease assets over their estimated economic useful lives, on a straight-line basis. We amortize our deferred drydocking costs over two to five years based on each vessel's next anticipated drydocking. Income derived from sale and subsequently leased assets is deferred and amortized in proportion to the amortization of the leased assets.

Administrative Expenses. Administrative expenses are composed of general overhead, including personnel costs, legal and professional fees, costs associated with project development, property costs and other general administration expenses. Included within administrative expenses are pension and share option expenses. Pension expense includes costs associated with a defined benefit pension plan we maintain for some of our office-based employees (the U.K.

Scheme). Although this scheme is now closed to new entrants the cost of provision of this benefit will vary with the movement of actuarial variables and the value of the pension fund assets. Share option expense refers to the compensation cost for employee stock options granted in 2006 and later.

Interest Expense and Interest Income. Interest expense depends on our overall level of borrowings and may significantly increase when we acquire or lease ships. During a newbuilding construction or FSRU retrofitting period, interest expense incurred is capitalized in the cost of the newbuilding or vessel. Interest expense may also change with prevailing interest rates, although interest rate swaps or other derivative instruments may reduce the effect of these changes. Interest income will depend on prevailing interest rates and the level of our cash deposits and restricted cash deposits.

Other Financial Items. Other financial items include financing fee arrangement costs, amortization of deferred financing costs, market valuation adjustments for interest rate swap, foreign currency swap and equity swap derivatives and foreign exchange gains/losses. The market valuation adjustment for our derivatives may have a significant impact on our results of operations and financial position although it does not impact our liquidity. Foreign exchange gains or losses arise primarily due to the retranslation of our capital lease obligations and the cash deposits securing those obligations that are denominated in GBP. Any gain or loss represents an unrealized gain or loss and will arise over time as a result of exchange rate movements. Our liquidity position will only be affected to the extent that we choose or are required to withdraw monies from or pay additional monies into the deposits securing our capital lease obligations or if the leases are terminated.

Inflation and Cost Increases

Although inflation has had a moderate impact on operating expenses, interest costs, drydocking expenses and overhead, we do not expect inflation to have a significant impact on direct costs in the current and foreseeable economic environment other than potentially in relation to insurance costs and crew costs. It is anticipated that insurance costs, which have risen over the last three years, will continue to rise over the next few years. LNG transportation is a specialized area and the number of vessels is increasing rapidly. Therefore, there will be an increased demand for qualified crew, which has and will continue to put inflationary pressure on crew costs. Only vessels on full cost pass through charters would be protected from any crew cost increases. The impact of these increases will be mitigated to some extent by the following provisions in our charters:

- The Golar Mazo's charter provides for operating cost and insurance cost pass-throughs and so we will be protected from the impact of the vast majority of such increases.

- The Methane Princess' charter provides that the operating cost component of the charter hire rate, established at the beginning of the charter, will increase by a fixed percentage per annum, except for insurance, which is covered at cost.

- Under the OSAs for both the Golar Spirit and the Golar Winter, the hire amounts are payable in Brazilian Reais. The hire payable under the OSAs covers all vessel operating expenses, other than drydocking and insurance which are covered under the Time Charter Party. The hire amounts payable under the OSAs were established between the parties at the time the charter was entered into and will be increased based on a specified mix of consumer price and U.S. Dollar foreign exchange rate indices on an annual basis.

Results of Operations

Our results for the years ended December 31, 2008, 2007 and 2006 were affected by several key factors:

- the acquisition of the Golar Arctic (formerly known as the Granatina) in January 2008 and the delivery of two newbuildings, the Grandis in January 2006 and the Granosa in June 2006;

- the gain on disposal of the Golar Frost in 2008 and our newbuilding DSME Hull 2244 in 2007, realizing a gain of $78.1 million and $41.1 million, respectively;

- the disposal of our entire equity interest in Korea Line in 2007 resulting in an aggregate gain of $73.6 million and a corresponding decrease in its contribution to equity in net earnings of investees;

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our vessels not on long-term charters affected by commercial waiting time. During 2008, the Golar Frost (which was sold in July 2008, was immediately chartered back on a short-term time charter), Golar Winter and Golar Arctic all operated in the spot market; and the Hilli was in lay-up. Also the three vessels on five-year charters with Shell; the Grandis, Gracilis and Granosa, ("Shell vessels") are subject to variable (market) charter rates and commercial waiting. However, in March 2007, the Gracilis commenced a three-year sub charter at a fixed rate, as part of the Shell charter arrangement;

- lease finance and arrangements that we have entered;

- the movement in mark-to-market valuations of our derivative instruments and the impact of the adoption of hedge accounting, effective from October 1, 2008 for certain of our interest rate swap derivatives; and

- share options expense.

The impact of these factors is discussed in more detail below.

Year ended December 31, 2008, compared with the year ended December 31, 2007

Operating revenues, voyage and charter-hire expenses and average daily time charter equivalent

(in thousands of $)	2008	2007	Change	Change
Total operating revenues	228,779	224,674	4,105	2%
Voyage and charter-hire expenses	(33,126)	(10,763)	(22,363)	(208%)

The increase in total operating revenues in 2008 compared to 2007 can primarily be explained by:

- the addition to the fleet of the Golar Arctic acquired in January 2008 and the charter-in of the Ebisu under a two year charter in October 2008;

- the commencement of the Golar Spirit's 10-year charter with Petrobras in July 2008, pursuant to its redelivery from the shipyard on completion of its FSRU retrofitting in June 2008. The Golar Spirit first entered the shipyard for conversion in October 2007.

Partially offset by a decline in operating revenues arising from:

- off-hire time incurred by the Golar Winter upon entering the shipyard at the end of September 2008 for its FSRU retrofitting until its redelivery to us in May 2009;

- an overall decline in charter rates and lower utilization levels of our vessels trading on the spot market or in lay-up in 2008 (the Golar Frost, Golar Winter, Golar Arctic, the Ebisu and the Hilli), including our vessels operating under the Shell five-year charters subject to variable (market) charter rates and commercial waiting time (the Grandis, Granosa and Gracilis). The total operating revenues generated by these vessels in 2008 were $103.9 million as compared to $139.4 million in 2007.

Voyage and charter-hire expenses, which largely relate to fuel costs associated with commercial waiting time and vessel positioning, increased by $22.4 million in 2008 compared to 2007, principally as a result of charter-hire expense for the charter-in of the Golar Frost and Ebisu in 2008, higher fuel costs and lower utilization. While a vessel is on-hire, fuel costs are typically borne by the charterer, whereas during periods of commercial waiting time, fuel costs are borne by us.

	2008	2007	Change	Change
Calendar days less scheduled off-hire days	4,466	4,197	639	15%
Average daily TCE (to the closest $100)	$ 45,700	$ 51,000	$ (5,300)	(10%)

Average daily TCE is calculated as $45,700 and $51,000 in 2008 and 2007, respectively. The decrease in average daily TCE can be explained by the reasons described above, primarily the lower spot rates and utilization of the spot vessels and the vessels operating under the Shell five year charters.

The available trading days of our vessels trading in the spot market during 2008 and the vessels under the Shell five year charters was 2,640 and 2,190 days in 2008 and 2007, respectively. Commercial waiting days in 2008 and 2007 were 26% and 20% of available trading days for these vessels, respectively.

Gain on sale of vessel/ newbuilding

(in thousands of $)	2008	2007	Change	Change
Gain on sale of vessel/ newbuilding	78,108	41,088	37,020	90%

In July 2008, we sold the Golar Frost to OLT-O for $231.0 million, recognizing a gain on sale of $78.1 million.

In February 2007, we sold our newbuilding DSME Hull 2244 to an unrelated third party for gross consideration of $92.5 million, resulting in a gain on sale of $41.1 million.

Vessel Operating Expenses

(in thousands of $, except for average daily vessel operating costs)	2008	2007	Change	Change
Vessel operating expenses	61,868	52,986	8,882	17%
Average daily vessel operating costs	12,793	12,097	696	6%

The increase in vessel operating expenses is mainly due to the addition of the Golar Arctic to our fleet in January 2008 and the rising cost of recruiting and retaining officers for the fleet. In addition, from January 1, 2008 we changed the base currency of salaries paid to the majority of our seafaring officers from U.S. dollars to Euros. Accordingly, the depreciation of the U.S. Dollar against the Euro has contributed significantly to the increase in vessel operating expenses. Moving forwards a stronger U.S. Dollar is likely to reduce operating expenses.

It should be noted that during their period of retrofitting, vessel operating expenses for the Golar Spirit and Golar Winter that are not attributable to the retrofitting have been charged to the consolidated statement of operations. The average daily operating expenses of our vessels for 2008 and 2007 were $12,793 and $12,097, respectively. Average daily vessel operating expenses are calculated by dividing vessel costs by the number of calendar days.

Administrative Expenses

(in thousands of $)	2008	2007	Change	Change
Administrative expenses	17,815	18,645	(830)	(4%)

The decrease in administrative expenses in 2008 compared to 2007 was mainly due to:

- a decrease of $2.9 million in the charge relating to employee share options. For further detail please see the section of this annual report entitled Item 18, "Consolidated Financial Statements: Note 26 – Share Capital and Share Options."

Partially offset by:

- an increase of $0.9 million in salary and related expenses mainly due to the depreciation of GBP against the U.S. dollar, an increase in employee numbers and higher pension costs;

- higher property related expenses, which increased by $0.5 million in 2008, arising from the relocation to new offices in London at the end of 2008. This includes the effect of a provision for the rental costs of our former office space until the end of its lease in mid 2009; and

    - higher legal and professional costs mainly relating to a higher level of commercial activity.

Depreciation and Amortization

(in thousands of $)	2008	2007	Change	Change
Depreciation and amortization	62,005	60,163	1,842	3%

Depreciation and amortization has increased mainly due to the addition of the Golar Arctic to the fleet in January 2008 and the commencement of depreciation of the costs arising on completion of the Golar Spirit's FSRU retrofitting. This increase was partially offset by the sale of the Golar Frost in July 2008 and the cessation of depreciation upon classification of the vessel as held-for-sale in March 2008.

Impairment and gain on long-lived assets

(in thousands of $)	2008	2007	Change	Change
Impairment of long-lived assets	110	2,345	(2,235)	(95%)
Gain on sale of long-lived assets	430	-	430	N/a

The impairment charge in 2008 and 2007 relates to parts ordered for the FSRU conversion project that were not required for the conversion of the Golar Spirit and therefore reflects a lower recoverable amount for these parts. In mid 2008, we sold some of these parts recognizing a gain on sale of $0.4 million. As of December 31, 2008, the total carrying value of the remaining equipment (net of the impairment provision) is $15.4 million.

Net Financial Expenses

(in thousands of $)	2008	2007	Change	Change
Interest income from capital lease restricted cash deposits	42,869	47,944		