



## **Golar LNG Interim Report March 2003**

### **FIRST QUARTER RESULTS**

Golar LNG reports net income of \$9.7 million for the three months ended March 31, 2003 and operating income of \$16.9 million as compared to \$9.0 million and \$16.6 million respectively for the three months ended March 31, 2002. Operating income includes a charge for depreciation and amortisation of \$7.6 million (\$8.0 million for the first quarter of 2002). Earnings per share for the quarter were \$0.17 as compared to \$0.16 for the same period in 2002. This result is after a net (after minority interests) loss of \$0.6 million (\$0.3 million for the first quarter of 2002) as a result of the movement of the fair value of interest rate swaps.

Operating revenues for the quarter were \$33.0 million (\$32.4 million for the first quarter of 2002), average daily time charter equivalents (TCEs) were \$60,450 and there was no offhire during the first quarter of 2003.

Vessel operating expenses for the first quarter of 2003 were \$7.3 million and administration costs were \$1.2 million for the quarter as compared with \$6.5 million and \$1.2 million for the same period in 2002.

Net interest expense for the first quarter of 2003 was \$5.3 million (\$5.8 million for the first quarter of 2002). The main component of other financial items of \$1.2 million for the quarter was a loss of \$0.9 million associated with the fair valuing of interest rate swaps. The charge is offset by the minority interest element of 40 per cent resulting in a net book loss for Golar of \$0.6 million.

The weighted average number of shares outstanding as of March 31, 2003 and 2002 and for both quarters then ended was 56,012,000.

### **FINANCING**

Further to the announcement in last quarters report with regard to possible lease transactions the Board is pleased to announce that during April 2003 the Company entered into such a leasing transaction with a major UK bank in respect of five of its currently trading vessels. The lease transaction was economically efficient in that it resulted in a cash inflow for the Company in excess of \$30 million. Contemporaneously with the transaction the Company

has also refinanced some of its debt facilities and thereby reduced the outstanding amount in respect of these facilities by \$17.5 million.

As of March 31, 2003, a total of \$303.3 million had been invested in the four newbuildings and the Company had debt outstanding, directly related to the newbuildings of \$169.3 million.

Under the assumption that the three uncommitted newbuildings can be financed with approximately fifty per cent bank debt, Golar is sufficiently financed to take delivery of the three vessels without raising any additional equity.

Golar has in the first quarter of 2003 fixed another \$30 million of its floating debt. As of March 31, 2003 a total amount of \$269 million of the Company's debt had been fixed through long-term interest agreements.

## **CORPORATE AND OTHER MATTERS**

Repair work associated with the fire onboard newbuilding hull 2215 is progressing well with delivery expected towards the end of the third quarter of 2003. The Company has agreed with the Charterer of the vessel, BG Group Plc (BG), to defer delivery of the vessel to BG until a date in owners option between January 1, 2004 and March 31, 2004. In the interim the Company anticipates trading the ship on a short-term charter over the winter months.

On March 31, 2003 the 'Golar Freeze' was re-delivered to the Company from BG under its existing charter and immediately commenced its new five-year charter with BG.

As announced on May 9, 2003 the Baja LNG project has been awarded a CRE (Mexican Energy Commission) gas-storage permit for the construction and operation of a liquefied natural gas storage facility to be located near Tijuana, Baja California, Mexico.

Substantial progress has been made during the quarter on the floating receiving terminal project in Livorno, Italy. Golar's second newbuilding, which is due for delivery in January 2004 from Hyundai, is currently allocated to this project. The operator, Cross Gas Energy, expects that a final decision on this project will be taken in the third quarter of 2003.

The Company has been reviewing its position with regard to the flag state of its vessels and as a result has changed five of its currently trading vessels to the UK flag during the quarter.

In order to improve the availability of highly qualified marine crew and improve the cost structure, three of the Company's vessels have now been re-crewed with Croatian officers.

## **MARKET**

A combination of reduced production and increased demand has pushed US gas prices to a level in excess of \$6.00/MMBtu. In the first quarter of 2003 a total of 44 LNG cargoes were imported into the US. Seventy per cent of these imports were related to spot sales. Currently both Lake Charles and Everett receiving terminals are fully utilized. Elba and Cove Point receiving terminals are expected to be fully operational in the second half of this year and will take away the current constraint on US receiving terminals.

The strength in the US gas market has encouraged as many as 15 companies to pursue more than 20 Greenfield LNG projects aimed at significantly increasing US import capacity. This is in line with Golar's market expectations that the infrastructure of the LNG market will move in favour of increased spot activity.

Continued shutdown of nuclear reactors in Japan continues to impact Japan's fuel mix, which is likely to continue to favour gas. Japan has been using its upward flexibility rights under existing LNG supply contracts to provide increased gas-fired capacity. Tepco has stated that 17 nuclear power reactors would be shut down from April 15 and therefore it plans to buy about 6.29 million barrels of oil and about 1.5 mmtpa of LNG in the next quarter to satisfy fuel requirements of power plants. The increased LNG demand in Japan absorbs LNG which otherwise would most likely have been sold to the Atlantic market. From this point of view the shutdown of the Japanese nuclear reactors has a negative effect on the LNG shipping ton miles demand.

The market for LNG shipping has remained very tight in 2003. Several LNG producers have not been able to utilize their full production capacity due to lack of shipping capacity. In the winter season we saw short-term charter rates above \$100,000 per day. The charter market was dominated by Korean demand. Rates have remained firm and we have recently seen short-term summer charter rates concluded above \$90,000 per day.

The market for longer term financial deals, typically 20 years, has shown a slightly negative development mainly driven by lower newbuilding prices and reduced interest levels. Indicative rates are today slightly under \$65,000 p/d.

During the first half of 2003 a market for medium term deals, typically 3–5 years, has developed. Several oil majors and traders are currently seeking tonnage in this market. The Board of Golar sees several opportunities for employment in this market that typically will pay well above long-term charter rates.

## **OUTLOOK**

The Gas market is moving in line with the perception Golar's management had when the Company was restructured in 2001. Strong gas growth in Asia and falling domestic production in US are the main drivers for the LNG market, but also increased demand from Europe is an important factor. The investments in LNG infrastructure are growing as a function of increased confidence in LNG as an important and inexpensive supplementary energy source.

The delivery of Golar's three uncommitted newbuildings is now expected to take place in January 2004, February 2004 and October 2004. The Board is, based on current enquiries and the supply demand balance for LNG shipping, optimistic that attractive employment can be found for these three ships. Such employment is likely to include a mixture of long-term charters and shorter term more opportunistic trading. A final clearance of the Baja or Livorno project will influence the employment strategy for the uncommitted ships.

The Board is actively considering new investment alternatives in order to increase the size of Golar LNG.

The results for 2003 before any effects of revaluation of currency swaps are likely to show a year on year improvement from the 2002 results.

The Board is of the opinion that the Company is well positioned and is optimistic about the Company's future.

## **FORWARD LOOKING STATEMENTS**

This press release contains forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including examination of historical operating trends made by the management of Golar LNG. Although Golar LNG believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies, which are difficult or impossible to predict and are beyond its control, Golar LNG cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Included among the factors that, in the Company's view, could cause actual results to differ materially from the forward looking statements contained in this press release are the following: inability of the Company to obtain financing for the newbuilding vessels at all or on favourable terms; changes in demand; a material decline or prolonged weakness in rates for LNG carriers; political events affecting production in areas in which natural gas is produced and demand for natural gas in areas to which our vessels deliver; changes in demand for natural gas generally or in particular regions; changes in the financial stability of our major customers; adoption of new rules and regulations applicable to LNG carriers; actions taken by regulatory authorities that may prohibit the access of LNG carriers to various ports; our inability to achieve successful utilisation of our expanded fleet and inability to expand beyond the carriage of LNG; increases in costs including: crew wages, insurance, provisions, repairs and maintenance; changes in general domestic and international political conditions; changes in applicable maintenance or regulatory standards that could affect our anticipated dry-docking or maintenance and repair costs; failure of shipyards to comply with delivery schedules on a timely bases and other factors listed from time to time in registration statements and reports that we have filed with or furnished to the Securities and Exchange Commission, including our Registration Statement on Form 20-F and subsequent announcements and reports.

May 28, 2003  
The Board of Directors  
Golar LNG Limited  
Hamilton, Bermuda

Questions should be directed to:

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**GOLAR LNG LIMITED FIRST QUARTER 2003 REPORT (UNAUDITED)**

<b>INCOME STATEMENT</b> <i>(in thousands of \$)</i>	<b>2003</b> <b>Jan-Mar</b>	<b>2002</b> <b>Jan-Mar</b>	<b>2002</b> <b>Jan-Dec</b>
<b>Operating revenues</b>	<b>33,021</b>	<b>32,389</b>	<b>130,611</b>
Vessel operating expenses	7,254	6,542	28,061
Administrative expenses	1,206	1,249	6,127
Depreciation and amortisation	7,646	8,022	31,300
<b>Total operating expenses</b>	<b>16,106</b>	<b>15,813</b>	<b>65,488</b>
<b>Operating income</b>	<b>16,915</b>	<b>16,576</b>	<b>65,123</b>
Interest income	107	296	1,073
Interest expense	(5,406)	(6,049)	(23,553)
Other financial items	(1,197)	(927)	(17,887)
<b>Income before taxes and minority interest</b>	<b>10,419</b>	<b>9,896</b>	<b>24,756</b>
Minority interest	671	806	(2,469)
Taxes	32	45	88
<b>Net income</b>	<b>9,716</b>	<b>9,045</b>	<b>27,137</b>
<b>Earnings per share (\$)</b>	<b>\$0.17</b>	<b>\$0.16</b>	<b>\$0.48</b>

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2003</b> <b>Mar 31</b>	<b>2002</b> <b>Mar 31</b>	<b>2002</b> <b>Dec 31</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	49,354	53,682	52,741
Restricted cash and short-term investments	19,141	20,396	12,760
Other current assets	5,724	5,904	5,240
Amounts due from related parties	281	125	281
<i>Long term</i>			
Newbuildings	303,298	182,993	291,671
Vessel and equipment, net	611,983	635,309	617,583
Other long term assets	10,004	5,169	7,659
<b>Total assets</b>	<b>999,785</b>	<b>903,578</b>	<b>987,935</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Current portion of long-term debt	51,626	41,054	48,437
Current indebtedness due to related parties	32,703	32,703	32,703
Other current liabilities	50,802	26,604	44,764
Amounts due to related parties	1,109	1,071	642
<i>Long term</i>			
Long term debt	620,747	575,131	629,173
Other long term liabilities	22,926	16,947	22,731
Minority interest	14,020	26,626	13,349
Stockholders' equity	205,852	183,442	196,136
<b>Total liabilities and stockholders' equity</b>	<b>999,785</b>	<b>903,578</b>	<b>987,935</b>

**GOLAR LNG LIMITED FIRST QUARTER 2003 REPORT (UNAUDITED)**

<b>STATEMENT OF CASH FLOWS</b> <i>(in thousands of \$)</i>	<b>2003</b> <b>Jan-Mar</b>	<b>2002</b> <b>Jan-Mar</b>	<b>2002</b> <b>Jan-Dec</b>
<b>OPERATING ACTIVITIES</b>			
Net income	9,716	9,045	27,137
Adjustments to reconcile net income to net cash Provided by operating activities:			
Depreciation and amortisation	7,646	8,022	31,300
Amortisation of deferred charges	188	412	972
Income (loss) attributable to minority interests	671	806	(2,469)
Drydocking expenditure	(98)	(304)	(1,600)
Change in market value of interest rate derivatives	931	502	16,459
Change in operating assets and liabilities	3,340	(2,375)	(583)
<b>Net cash provided by operating activities</b>	<b>22,394</b>	<b>16,108</b>	<b>71,216</b>
<b>INVESTING ACTIVITIES</b>			
Additions to newbuildings	(11,627)	(50,137)	(158,815)
Additions to vessels and equipment	(1,948)	(1,656)	(5,912)
Restricted cash and short short-term investments	(6,381)	(6,233)	1,403
<b>Net cash used in investing activities</b>	<b>(19,956)</b>	<b>(58,026)</b>	<b>(163,324)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	2,263	99,356	194,335
Proceeds from long-term debt due to related parties	-	-	16,259
Repayments of long-term debt	(7,500)	(7,500)	(41,054)
Repayments of long-term debt due to related parties	-	(52,575)	(68,834)
Financing costs paid	(588)	(1,250)	(3,424)
Dividends paid to minority shareholders	-	-	(10,002)
<b>Net cash provided by financing activities</b>	<b>(5,825)</b>	<b>38,031</b>	<b>87,280</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,387)</b>	<b>(3,887)</b>	<b>(4,828)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>52,741</b>	<b>57,569</b>	<b>57,569</b>
<b>Cash and cash equivalents at end of period</b>	<b>49,354</b>	<b>53,682</b>	<b>52,741</b>