

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2013

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 001- 35123

GOLAR LNG PARTNERS LP

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

**Par-la-Ville Place
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(Address of principal executive offices)

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(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 units representing limited partner interests	Nasdaq Global Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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.

45,663,096 Common Units representing limited partner interests
15,949,831 Subordinated Units representing limited partner interests

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

☒ Yes ☐ No

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

☐ Yes ☒ No

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 ☐ 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 ☐

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 ☒

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 ☐ 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

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Presentation of Information in this Annual Report

This Annual Report on Form 20-F for the year ended December 31, 2013, or the Annual Report, should be read in conjunction with the consolidated and combined financial statements and accompanying notes included in this report. Unless the context otherwise requires, references in this Annual Report to "Golar LNG Partners LP," "Golar LNG Partners," the "Partnership," "we," "our," "us" or similar terms refer to Golar LNG Partners LP, a Marshall Islands limited partnership, or any one or more of its subsidiaries, or to all of such entities, and, for periods prior to our initial public offering (or our IPO) on April 13, 2011, our Combined Entity. References to our "Combined Entity" refer to the subsidiaries of Golar LNG Limited that had interests in the vessels in our initial fleet prior to our initial public offering. References in this Annual Report to "our general partner" refer to Golar GP LLC, the general partner of the Partnership. References in this Annual Report to "Golar" refer, depending on the context, to Golar LNG Limited (NasdaqGS: GLNG) and to any one or more of its direct and indirect subsidiaries, including Golar LNG Energy Limited or Golar Energy and to Golar Management Limited (or Golar Management). References in this Annual Report to Golar Wilhelmsen refer to Golar Wilhelmsen AS, a company that is jointly controlled by both Golar and Wilhelmsen Ship Management (Norway) AS.

References in this Annual Report to our "initial fleet" refer to the Golar Winter, the Golar Spirit, the Golar Mazo and the Methane Princess, all of which were contributed to us at or prior to our initial public offering. References to our "Dropdown Predecessor" refer to the Golar Freeze, the Nusantara Regas Satu (or the NR Satu) and the Golar Grand, which we acquired subsequent to our initial public offering. In this Annual Report, we refer to the vessels in our initial fleet, the Dropdown Predecessor, the Golar Maria and the Golar Igloo, collectively, as our "current fleet".

Cautionary Statement Regarding Forward Looking Statements

This Annual Report contains certain forward-looking statements concerning future events and our operations, performance and financial condition, including, in particular, the likelihood of our success in developing and expanding our business. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "will," "may," "potential," "should," and similar expressions are forward-looking statements. These forward-looking statements reflect management's current views only as of the date of this Annual Report and are not intended to give any assurance as to future results. As a result, unitholders are cautioned not to rely on any forward-looking statements.

Forward-looking statements appear in a number of places in this Annual Report and include statements with respect to, among other things:

- Floating storage regasification unit (or FSRU), liquefied natural gas (or LNG) carrier and floating liquefied natural gas vessel (or FLNGV) market trends, including charter rates, factors affecting supply and demand, and opportunities for the profitable operations of FSRUs, LNG carriers and FLNGVs;
- our and Golar's ability to retrofit vessels as FSRUs or FLNGVs and the timing of the delivery and acceptance of any such retrofitted vessels by their respective charterers;
- our ability to increase distributions and the amount of any such increase;
- our ability to integrate and realize the expected benefits from acquisitions, including the acquisition of the *Golar Igloo*;
- our anticipated growth strategies;
- the effect of a worldwide economic slowdown;
- turmoil in the global financial markets;
- fluctuations in currencies and interest rates;
- general market conditions, including fluctuations in charter hire rates and vessel values;
- changes in our operating expenses, including drydocking and insurance costs and bunker prices;
- forecasts of our ability to make cash distributions on the units or any increases in our cash distributions;
- our future financial condition or results of operations and our future revenues and expenses;
- the repayment of debt and settling of interest rate swaps;
- our ability to make additional borrowings and to access debt and equity markets;

- planned capital expenditures and availability of capital resources to fund capital expenditures;
- the exercise of purchase options by our charterers;
- our ability to maintain long-term relationships with major LNG traders;
- our ability to leverage Golar's relationships and reputation in the shipping industry;
- our ability to purchase vessels from Golar in the future;
- our continued ability to enter into long-term time charters, including charters for floating storage and regasification projects;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter;
- timely purchases and deliveries of newbuilding vessels;
- future purchase prices of newbuildings and secondhand vessels;
- our ability to compete successfully for future chartering and newbuilding opportunities;
- acceptance of a vessel by its charterer;
- termination dates and extensions of charters;
- the expected cost of, and our ability to comply with, governmental regulations, maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;
- availability of skilled labor, vessel crews and management;
- our general and administrative expenses and our fees and expenses payable under the fleet management agreements and the management and administrative services agreement;
- the anticipated taxation of our partnership and distributions to our unitholders;
- estimated future maintenance and replacement capital expenditures;
- our ability to retain key employees;
- customers' increasing emphasis on environmental and safety concerns;
- potential liability from any pending or future litigation;
- potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists;
- future sales of our common units in the public market;
- our business strategy and other plans and objectives for future operations; and
- other factors detailed in this Annual Report and from time to time in our periodic reports.

Forward-looking statements in this Annual Report are estimates reflecting the judgment of management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors, including those set forth in this Annual Report under the heading "Item 3—Key Information—Risk Factors."

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. We make no prediction or statement about the performance of our common units. The various disclosures included in this Annual Report and in our other filings made with the Securities and Exchange Commission (or the SEC) that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations should be carefully reviewed and considered.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents, in each case for the periods and as of the dates indicated, our selected consolidated and combined financial and operating data, which includes, for periods prior to the completion of our IPO, on April 13, 2011, certain subsidiaries of Golar that had interests in the vessels in our initial fleet, the *Golar Winter*, the *Golar Spirit*, the *Methane Princess* and the *Golar Mazo*. The transfers and contributions of the subsidiaries that had interests in the vessels in our initial fleet were deemed to be a reorganization of entities under common control. As a result, we have recorded these transactions at Golar's historical book values.

In October 2011 and July 2012, we acquired from Golar interests in subsidiaries that own and operate the FSRUs, the *Golar Freeze* and the *NR Satu*, respectively. In addition, in November 2012, we acquired from Golar interests in subsidiaries that lease and operate the LNG carrier, the *Golar Grand*. These transactions were also deemed to be a reorganization of entities under common control.

Under the Partnership Agreement, our general partner has irrevocably delegated to our board of directors the power to oversee and direct the operations of, manage and determine the strategies and policies of Golar Partners. During the period from the IPO in April 2011 until the time of our first annual general meeting ("AGM") on December 13, 2012, Golar retained the sole power to appoint, remove and replace all members of our board of directors. From the first AGM, four of the seven members of our board became electable by the common unitholders and, accordingly, Golar no longer retains the power to control our board of directors and, hence, the Partnership. As a result, we are no longer considered to be under common control with Golar and as a consequence, from December 13, 2012, we will no longer account for vessel acquisitions from Golar as transfer of equity interests between entities under common control.

In February 2013, we acquired from Golar 100% interest in the subsidiary that owns and operates the LNG carrier, the *Golar Maria*, which we accounted for as an acquisition of a business. Accordingly, the results of the *Golar Maria* are consolidated into our results from the date of her acquisition. There has been no retroactive restatement of our financial statements to reflect the historical results of the *Golar Maria* prior to her acquisition.

The consolidated and combined financial data of Golar Partners as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 are derived from the audited consolidated and combined financial statements of Golar Partners, prepared in accordance with U.S. GAAP, which are included elsewhere in this Annual Report.

The following financial data should be read in conjunction with "Item 5—Operating and Financial Review and Prospects" and our historical consolidated and combined financial statements and the notes thereto included elsewhere in this Annual Report.

Our financial position, results of operations and cash flows could differ from those that would have resulted if we operated autonomously or as an entity independent of Golar in the periods prior to our IPO for which historical financial data are presented below, and such data may not be indicative of our future operating results or financial performance.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands except fleet data and per day data)				
Statement of Operations Data:					
Total operating revenues	\$ 329,190	\$ 286,630	\$ 225,452	\$ 205,808	\$ 153,414
Vessel operating expenses(1)	52,390	45,474	39,212	38,516	39,081
Voyage and commission expenses(2)	5,239	4,471	785	6,343	9,825
Administrative expenses	5,194	7,269	8,235	7,457	6,767
Depreciation and amortization	66,336	51,167	45,316	43,106	38,423
Impairment of long-term assets	—	—	—	1,500	1,500
Total operating expenses	129,159	108,381	93,548	96,922	95,596
Operating income	200,031	178,249	131,904	108,886	57,818
Interest income	\$ 1,097	\$ 1,797	\$ 1,640	\$ 3,998	\$ 9,038
Interest expense	(43,195)	(38,090)	(19,581)	(20,300)	(31,913)
Other financial items, net	\$ (1,661)	\$ (5,389)	\$ (18,521)	\$ (27,855)	\$ 15,939
Income before income taxes	156,272	136,567	95,442	64,729	50,882
Income taxes	\$ (5,453)	\$ (9,426)	\$ (45)	\$ (1,212)	\$ (1,752)
Net income	150,819	127,141	95,397	63,517	49,130
Net income attributable to non-controlling interest	\$ (9,523)	\$ (10,723)	\$ (9,863)	\$ (9,250)	\$ (9,012)
Net income attributable to Golar LNG Partners owners	\$ 141,296	\$ 116,418	\$ 85,534	\$ 54,267	\$ 40,118
Earnings Per Unit (Basic and Diluted)					
Common units	2.31	2.08	1.89	1.54	1.54
Cash distributions declared and paid per unit	2.05	1.78	0.73	—	—
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$ 103,100	\$ 66,327	\$ 49,218	\$ 53,559	\$ 33,846
Restricted cash and short-term investments(3)	24,451	30,900	24,512	21,815	33,508
Long-term restricted cash(3)	145,725	190,523	185,270	186,042	466,957
Vessels and equipment, net	1,281,591	707,147	662,021	554,607	181,029
Vessels under capital lease, net(4)	127,693	485,632	501,903	515,666	896,698
Total assets	1,721,219	1,510,974	1,437,813	1,407,810	1,638,925
Current portion of long-term debt	156,363	64,822	49,906	58,822	77,843
Current portion of obligations under capital leases	—	5,837	5,909	5,766	6,372
Long-term debt	733,108	674,650	572,978	400,574	341,246
Long-term obligations under capital leases(4)	159,008	406,534	399,934	406,109	712,278
Non-controlling interest(5)	70,777	71,858	62,934	55,470	49,340
Owner’s and Dropdown Predecessor equity(6)	—	—	208,069	321,470	338,848
Partner’s capital	501,744	178,675	32,069	—	—
Cash Flow Data:					
Net cash provided by operating activities	\$ 148,679	\$ 189,343	\$ 156,972	\$ 87,090	\$ 62,239
Net cash (used in) provided by investing activities	(84,052)	(78,798)	(102,881)	216,288	(123,141)
Net cash (used in) provided by financing activities	(27,854)	(93,436)	(58,431)	(283,666)	66,856

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands except fleet data and per day data)				
Fleet Data:					
Number of vessels at end of period(7)	8	7	7	7	7
Average number of vessels during period(7)	8	7	7	7	7
Average age of vessels	19	20	19	18	17
Total calendar days for fleet	2,883	2,562	2,555	2,555	2,555
Total operating days for fleet(8)	2,751	2,408	2,162	2,328	2,142
Other Financial Data:					
Average daily time charter equivalent earnings (TCE) (9)	117,758	116,739	103,581	85,681	65,626
Average daily vessel operating expenses(10)	18,172	17,749	15,347	15,075	15,296

- (1) Vessel operating expenses are the direct costs associated with operating a vessel, including crew wages, vessel supplies, routine repairs, maintenance, insurance, lubricating oils and management fees.
- (2) The vessels have been operated under time charters during the periods presented. Under a time charter, the charterer pays substantially all of the vessel voyage expenses, 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. Four of the vessels underwent drydocking in 2013.
- (3) Restricted cash and short-term investments consist of bank deposits, which may only be used to settle the *Golar Mazo* (prior to December 2013), the *Golar Freeze* and the *NR Satu* loans or lease payments in respect of the *Golar Spirit* or the *Golar Freeze* (prior to December 2010), the *Golar Grand* (prior to December 2013) and the *Methane Princess*.
- (4) During the periods presented, six of the vessels were subject to lease financing arrangements, which are classified as capital leases. In respect of four of these leases, we borrowed under term loans and deposited the proceeds into restricted cash accounts. Concurrently therewith, we entered into capital leases for the vessels, and the vessels were recorded as assets on our balance sheet. These restricted cash deposits, plus the interest earned on the deposits, approximate the remaining amounts we owe under the capital lease arrangements. Where movements in interest rates result in a surplus, this is released to working capital. Similarly, where a deficit arises, this is funded through working capital. In these instances, we consider payments under our capital leases to be funded through our restricted cash deposits, and our continuing obligation is the repayment of the term loans. During 2010 and 2013, the outstanding lease liabilities on five of our vessels were repaid from the associated restricted cash deposits such that as of December 31, 2013, we held one remaining lease in respect of the *Methane Princess*. Under U.S. GAAP, we record both the obligations under the capital leases and the term loans as liabilities, and both the restricted cash deposits and our vessels under capital leases as assets. This accounting treatment has the effect of increasing both our assets and liabilities by the amount of restricted cash deposits relating to the corresponding capital lease obligations. As of December 31, 2013, our total assets included restricted cash deposits of \$170.2 million with respect to our lease financing arrangements and debt facilities. Accordingly, our lease and debt liabilities were gross of restricted cash deposits by the same amount.
- (5) Non-controlling interest refers to a 40% interest in the *Golar Mazo* owned by Chinese Petroleum Corporation.
- (6) Dropdown Predecessor equity refers to periods prior to the acquisition by us of the subsidiaries with interests in the vessels the *Golar Freeze*, the *NR Satu* and the *Golar Grand* (in October 2011, July 2012 and November 2012, respectively), when we and these vessels were under the common control of Golar.
- (7) In each of the periods presented, we held (or are deemed to have held) a 60% ownership interest in the *Golar Mazo* and a 100% interest in the other 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 lost to, among other things, operational deficiencies, drydocking for repairs, maintenance or inspection, equipment breakdowns, special surveys and vessel upgrades, delays due to accidents, crewing strikes, certain vessel detentions or similar problems, or our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew, or during periods of commercial waiting time during which we do not earn charter hire.

(9) Non-GAAP Financial Measures

It is standard industry practice to measure the revenue performance of a vessel in terms of average daily TCE. For time charters, this is calculated by dividing total operating revenue less voyage expenses 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 net time charter revenues. The following table reconciles our total operating revenues to average daily TCE.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except average daily TCE)				
Total operating revenues	\$ 329,190	\$ 286,630	\$ 225,452	\$ 205,808	\$ 153,414
Voyage expenses	(5,239)	(4,471)	(785)	(6,343)	(9,825)
	\$ 323,951	\$ 282,159	\$ 224,667	\$ 199,465	\$ 143,589
Calendar days less scheduled off-hire days	2,751	2,417	2,169	2,328	2,188
Average daily TCE (in \$)	\$ 117,758	\$ 116,739	\$ 103,581	\$ 85,681	\$ 65,626

- (10) We calculate average daily vessel operating expenses by dividing vessel operating expenses 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 the industry in which we operate and to our business in general. Other risks relate principally to the securities market and to ownership of our common units. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for distributions or the trading price of our common units.

Risks Inherent in Our Business

We will be required to make substantial capital expenditures to expand the size of our fleet. Depending on whether we finance our expenditures through cash from operations or by issuing debt or equity securities, our ability to make cash distributions may be diminished, our financial leverage could increase or our unitholders could be diluted.

We will be required to make substantial capital expenditures to expand the size of our fleet. We may be required to make significant installment payments for retrofitting of LNG carriers to FSRUs and acquisitions of LNG carriers and FSRUs. If we choose to purchase FSRUs or LNG carriers (either from Golar or independently), we plan to finance the cost either through cash from operations, borrowings or debt or equity financings.

Use of cash from operations to expand our fleet will reduce cash available for distribution to unitholders. Our ability to obtain bank financing or to access the capital markets may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions, changes in the LNG industry and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for future capital expenditures could have a material adverse effect on our business, results of operations and financial condition and on our ability to make cash distributions. Even if we are successful in obtaining necessary funds, the terms of any debt financings could limit our ability to pay cash distributions to unitholders. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant unitholder dilution and would increase the aggregate amount of cash required to pay the minimum quarterly distribution to unitholders, which could have a material adverse effect on our ability to make cash distributions.

If we are unable to obtain additional financing, we may be unable to meet our obligations as they come due, enhance our existing business, complete acquisitions, respond to competitive pressures or otherwise execute our growth strategy.

As of April 25, 2014, we have an aggregate available borrowing capacity from our existing revolving credit facilities of \$65 million. However, our Golar Maria facility matures in December 2014 with a balloon payment of \$79.5 million. We are currently in discussions with banks to refinance such debt. If we are unable to refinance the Golar Maria facility, we may have to utilize our available borrowing capacity from our existing revolving credit facilities to pay off the Golar Maria facility. Therefore, we may be required to obtain additional financing in order to fund the expansion of our fleet beyond its current size.

We plan to finance our future acquisitions through cash from operations, borrowings or debt or equity financings. Use of cash from operations to expand our fleet will reduce cash available for distribution to unitholders. Our ability to obtain bank financing or to access the capital markets may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions, changes in the LNG industry and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for future capital expenditures could have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

Even if we are successful in obtaining necessary funds, the terms of any debt financings could limit our ability to pay cash distributions to unitholders. In addition, incurring additional debt may increase our interest expense and financial leverage, and issuing additional equity securities may result in unitholder dilution and would increase the aggregate amount of cash required to pay the minimum quarterly distribution to unitholders, which could have a material adverse effect on our ability to make cash distributions.

We depend on Golar and certain of its affiliates, including Golar Management and Golar Wilhelmsen, to assist us in operating and expanding our business and providing interim financing for certain vessel acquisitions.

Our ability to enter into new charters and expand our customer relationships will depend largely on our ability to leverage our relationship with Golar and its reputation and relationships in the shipping industry. If Golar suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards;
- obtain financing on commercially acceptable terms;
- maintain access to capital under the sponsor credit facility; or
- maintain satisfactory relationships with suppliers and other third parties.

Golar is also incurring all costs for the construction and delivery of certain newbuildings. We will have the option to purchase from Golar all of their newbuildings upon delivery of the newbuildings and entry into long term charters. If Golar fails to make construction payments for these newbuildings, we could lose the ability to purchase these vessels as a result of such default, which could harm our business and reduce our ability to make cash distributions.

In addition, each vessel in our fleet is subject to management agreements pursuant to which certain commercial and technical management services are provided by certain affiliates of Golar, including Golar Management and Golar Wilhelmsen. Pursuant to these agreements, these entities provide significant commercial and technical management services for our fleet. In addition, pursuant to a management and administrative services agreement between us and Golar Management, Golar Management provides us with significant management, administrative, financial and other support services. Our operational success and ability to execute our growth strategy depends significantly upon the satisfactory performance of these services. Our business will be harmed if our service providers fail to perform these services satisfactorily, if they cancel their agreements with us or if they stop providing these services to us. Please read “Item 7—Major Unitholders and Related Party Transactions—Related Party Transactions.”

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses to enable us to pay the minimum quarterly distribution on our common units and subordinated units.

We may not have sufficient cash from operations to pay the minimum quarterly distribution of \$0.3850 per unit, or any distribution, on our common units and subordinated units. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which may fluctuate from quarter to quarter based on the risks described in this section, including, among other things:

- the rates we obtain from our charters;
- the level of our operating costs, such as the cost of crews and insurance;
- the continued availability of natural gas production, liquefaction and regasification facilities;
- demand for LNG;
- supply of LNG carriers and FSRUs;
- prevailing global and regional economic and political conditions;
- currency exchange rate fluctuations; and
- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business.

In addition, the actual amount of cash available for distribution to our unitholders will depend on other factors, including:

- the level of capital expenditures we make, including for maintaining or replacing vessels, building new vessels, acquiring existing vessels and complying with regulations;
- the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled drydocking of our vessels;
- our debt service requirements and restrictions on distributions contained in our debt instruments;
- the level of debt we will incur to fund future acquisitions;
- fluctuations in interest rates;
- fluctuations in our working capital needs;
- variable tax rates;
- our ability to make, and the level of, working capital borrowings; and
- the amount of any cash reserves established by our board of directors.

The amount of cash we generate from our operations may differ materially from our profit or loss for the period, which will be affected by non-cash items. As a result of this and the other factors mentioned above, we may make cash distributions during periods when we record losses and may not make cash distributions during periods when we record net income.

We must make substantial capital expenditures to maintain and replace the operating capacity of our fleet, which will reduce our cash available for distribution. In addition, each quarter we are required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted.

We must make substantial capital expenditures to maintain and replace, over the long-term, the operating capacity of our fleet. Maintenance and replacement capital expenditures include capital expenditures associated with drydocking a vessel, modifying an existing vessel, acquiring a new vessel or otherwise replacing current vessels at the end of their useful lives to the extent these expenditures are incurred to maintain or replace the operating capacity of our fleet. These expenditures could vary significantly from period to period and could increase as a result of changes in:

- the cost of labor and materials;
- customer requirements;
- fleet size;

- the cost of replacement vessels;
- length of charters;
- governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and
- competitive standards.

Our partnership agreement requires our board of directors to deduct estimated maintenance and replacement capital expenditures, instead of actual maintenance and replacement capital expenditures, from operating surplus each quarter in an effort to reduce fluctuations in operating surplus as a result of significant variations in actual maintenance and replacement capital expenditures each quarter. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our conflicts committee at least once a year. In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance and replacement capital expenditures were deducted from operating surplus. If our board of directors underestimates the appropriate level of estimated maintenance and replacement capital expenditures, we may have less cash available for distribution in periods when actual capital expenditures exceed our previous estimates.

We may be unable to make or realize expected benefits from acquisitions which could have an adverse effect on our expected plans for growth.

Our growth strategy includes selectively acquiring FSRUs and LNG carriers that are operating under long-term, stable cash flow generating time charters. For instance, since our IPO, we have acquired five vessels from Golar, most recently being the *Golar Maria* in February 2013 and the *Golar Igloo* in March 2014.

Any acquisition of a vessel or business may not be profitable to us at or after the time we acquire it and may not generate cash flow sufficient to justify our investment. In addition, our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Unlike newbuildings, existing vessels typically do not carry warranties as to their condition. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel's condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flow and reduce our liquidity and could have an adverse effect on our expected plans for growth.

The required drydocking of our vessels could be more expensive and time consuming than we anticipate, which could adversely affect our cash available for distribution.

The drydocking of our vessels requires significant capital expenditures and results in loss of revenue while our vessels are off-hire. Any significant increase in the number of days of off-hire due to such drydocking or in the costs of any repairs could have a material adverse effect on our ability to pay distributions to our unitholders. Although we do not anticipate that more than one of our vessels will be out of service at any given time, we may underestimate the time required to drydock any of our vessels or unanticipated problems may arise. If more than one of our vessels is required to be out of service at the same time, if a vessel is drydocked longer than expected or if the cost of repairs during drydocking is greater than budgeted, our cash available for distribution could be adversely affected.

Our growth depends on continued growth in demand for LNG, FSRUs and LNG carriers.

Our growth strategy focuses on expansion in the floating storage and regasification sector and the LNG shipping sector. While global LNG demand has continued to rise, the rate of its growth has fluctuated due to several reasons, including the global economic crisis and the continued increase in natural gas production from unconventional sources in regions such as North America. Accordingly, our growth depends on continued growth in world and regional demand for LNG, FSRUs and LNG carriers, which could be negatively affected by a number of factors, including:

- increases in the cost of natural gas derived from LNG relative to the cost of natural gas generally;
- increases in the production levels of low-cost natural gas in domestic natural gas consuming markets, which could further depress prices for natural gas in those markets and make LNG uneconomical;
- decreases in the cost, or increases in the demand for, conventional land-based regasification systems, which could occur if providers or users of regasification services seek greater economies of scale than FSRUs can provide or if the economic, regulatory or political challenges associated with land-based activities improve;
- further development of, or decreases in the cost of, alternative technologies for vessel-based LNG regasification;
- increases in the production of natural gas in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-natural gas pipelines to natural gas pipelines in those markets;
- decreases in the consumption of natural gas due to increases in its price relative to other energy sources or other factors making consumption of natural gas less attractive;
- availability of new, alternative energy sources, including compressed natural gas; and
- negative global or regional economic or political conditions, particularly in LNG consuming regions, which could reduce energy consumption or its growth.

Reduced demand for LNG, FSRUs or LNG carriers would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition.

We have only nine vessels in our current fleet. Any limitation on the availability or operation of those vessels could have a material adverse effect on our business, results of operations and financial condition and could significantly reduce our ability to make distributions to our unitholders.

Our current fleet consists of five FSRUs and four LNG carriers. If any of our FSRUs or LNG carriers are unable to generate revenues as a result of off-hire time, our results of operations and financial condition could be materially adversely affected.

The charters relating to our FSRUs and LNG carriers permit the charterer to terminate the charter in the event that the vessel is off-hire for any extended period. The charters also allow each charterer to terminate the charter upon the occurrence of specified defaults by us. The termination of any of our charters could have a material adverse effect on our business, results of operations and financial condition and could significantly reduce our ability to make distributions to our unitholders if we are unable to re-charter such vessel for an extended period of time. For further details regarding termination of our charters, please read "Item 4—Information on the Partnership—Business Overview—FSRU Charters" and "—LNG Carrier Charters."

We currently derive all of our revenue from six customers. The loss of any of these customers would result in a significant loss of revenues and cash flow, if for an extended period of time, we are not able to re-charter a vessel to another customer.

We have derived, and believe that we will continue to derive, all of our revenues and cash flow from a limited number of customers. For the year ended December 31, 2013, BG Group PLC (or BG Group) accounted for 20%, PT Pertamina (PERSERO) (or Pertamina) accounted for 11%, Dubai Supply Authority (or DUSUP) accounted for 15%, Petrobras accounted for 26%, PT Nusantara Regas (PTNR) accounted for 20% and Eni SpA accounted for 8% of our total revenues. All of our charters have fixed terms, but might nevertheless be lost in the event of unanticipated developments such as a customer's breach.

We could also lose a customer or the benefits of a charter if:

- the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise;
- the customer exercises its right to terminate the charter in certain circumstances, such as:

- loss of the vessel or damage to it beyond repair;
- defaults of our obligations under the charter, including prolonged periods of off-hire;
- in the event of war or hostilities that would significantly disrupt the free trade of the vessel;
- requisition by any governmental authority; or
- with respect to the *Golar Spirit*, the *Golar Winter* and the *Golar Freeze*, upon six months' written notice at any time after the fifth anniversary of the commencement of the related charter upon payment of a termination fee;
- a prolonged force majeure event affecting the customer, including damage to or destruction of relevant production facilities, war or political unrest prevents us from performing services for that customer.

If we lose any of our charters and are unable to re-deploy the related vessel on terms as favorable to us as our current charters for an extended period of time, 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. The loss of any of our customers, charters or vessels, or a decline in payments under any of our charters, could have a material adverse effect on our business, results of operations, financial condition and ability to make cash distributions to our unitholders, if we are not able to re-charter a vessel to another customer for an extended period of time.

Our debt levels may limit our flexibility in obtaining additional financing, pursuing other business opportunities and paying distributions to unitholders.

As of December 31, 2013, we had a total consolidated debt (including capitalized lease obligations, net of restricted cash, and including indebtedness outstanding under our credit facilities) of approximately \$878.3 million. In addition, we have the ability to incur additional debt. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be limited or such financing may not be available on favorable terms;
- we will need a substantial portion of our cash flow to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions to unitholders;
- our debt level will make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

Our financing arrangements are secured by our vessels and contain operating and financial restrictions and other covenants that may restrict our business and financing activities as well as our ability to make cash distributions to our unitholders.

The operating and financial restrictions and covenants in our financing arrangements, including the Golar LNG Partners credit facility, the Golar Freeze credit facility, the Norwegian bond agreement, the Methane Princess lease agreement and any future financing agreements, could adversely affect our ability to finance future operations or capital needs or to engage, expand or pursue our business activities. For example, subject to certain exceptions, the Golar LNG Partners credit facility, which is secured by a first priority charge over the *Methane Princess* and the *Golar Spirit* and a second priority charge over the *Golar Mazo*, requires the prior written consent of our lenders or otherwise restricts our and our subsidiaries' ability to, among other things:

- merge or consolidate with any other person;
- make certain capital expenditures;
- pay distributions to our unitholders;

- terminate or materially amend certain of our charters;
- enter into any other line of business;
- make any acquisitions;
- incur additional indebtedness or grant any liens to secure any of our existing or future indebtedness;
- enter into any sale-leaseback transactions; or
- enter into any transactions with our affiliates.

In addition, the Golar LNG Partners credit facility prohibits us from paying distributions to our unitholders if we are not in compliance with certain financial covenants or upon the occurrence of an event of default. The agreements governing our other financing arrangements, including the sponsor credit facility, the \$108 million credit facility that we assumed in connection with our acquisition of the *Golar Freeze* (or the Golar Freeze Facility), the \$175 million NR Satu facility, the \$120 million Golar Maria Facility that we assumed in connection with our acquisition of the *Golar Maria*, the \$161 million Golar Igloo Facility that we assumed in connection with our acquisition of the *Golar Igloo*, the \$225 million Golar Partners Operating credit facility, our high-yield bond agreement and our Methane Princess lease agreement also contain operating and financial restrictions and covenants. For more information, regarding our financial arrangements, please read “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowing Activities—Long-Term Debt” and “—Capital Lease Obligations.”

Our ability to comply with covenants and restrictions contained in our financing arrangements 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, and the lenders’ commitment to make further loans may terminate. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our financing arrangements are secured by certain of our vessels and guaranteed by our subsidiaries holding the interests in our vessels, and if we are unable to repay debt under our financing arrangements, the lenders or lessors could seek to foreclose on those assets.

Growth of the LNG market may be limited by many factors, including infrastructure constraints and community and political group resistance to new LNG infrastructure over concerns about the environment, 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 floating storage and regasification, 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, FSRU or LNG carrier; and
- labor or political unrest affecting existing or proposed areas of LNG production and regasification.

We expect that, as a result of the factors discussed above, some of the proposals to expand existing or develop new LNG liquefaction and regasification facilities may be abandoned or significantly delayed. 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.

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

One of our principal objectives is to enter into additional long-term, FSRU and LNG carrier time charters. The process of obtaining long-term charters for FSRUs and LNG carriers is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. We believe FSRU and LNG carrier time charters are awarded based upon bid price as well as a variety of factors relating to the vessel operator, including:

- LNG shipping and FSRU experience, technical ability and reputation for operation of highly specialized vessels;
- shipping industry relationships and reputation for customer service and safety;
- quality and experience of seafaring crew;
- financial stability and the ability to finance FSRUs and LNG carriers at competitive rates;
- relationships with shipyards and construction management experience; and
- willingness to accept operational risks pursuant to the charter.

We expect substantial competition for providing floating storage and regasification services and marine transportation services for potential LNG projects from a number of experienced companies, including state-sponsored entities and major energy companies. Many of these competitors have significantly greater financial resources and larger and more versatile fleets than we do or Golar. We anticipate that an increasing number of marine transportation companies—including many with strong reputations and extensive resources and experience—will enter the FSRU market and LNG transportation market. This increased competition may cause greater price competition for time charters. As a result of these factors, we may be unable to expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which would have a material adverse effect on our business, results of operations and financial condition and our ability to make cash distributions.

We may have more difficulty entering into long-term time charters in the future if an active short-term or spot LNG shipping market continues to develop.

One of our principal strategies is to enter into additional long-term FSRU and LNG carrier time charters of five years or more. Most shipping requirements for new LNG projects continue to be provided on a long-term basis, though the level of spot voyages and short-term time charters of less than 12 months in duration has grown in the past few years.

If an active spot or short-term market continues to develop, we may have increased difficulty entering into long-term time charters upon expiration or early termination of our current charters or for any vessels that we acquire in the future, and, as a result, our cash flow may be less stable. In addition, an active short-term or spot LNG market may require us to enter into charters based on changing market prices, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flow in periods when the market price for shipping LNG is depressed or insufficient funds are available to cover our financing costs for related vessels.

Hire rates for FSRUs and LNG carriers are not readily available and may fluctuate substantially. If rates are lower when we are seeking a new charter, our earnings and ability to make distributions to our unitholders may decline.

Hire rates for FSRUs and LNG carriers are not readily available and may fluctuate over time as a result of changes in the supply-demand balance relating to current and future FSRU and LNG carrier capacity. This supply-demand relationship largely depends on a number of factors outside our control. The LNG market is closely connected to world natural gas prices and energy markets, which we cannot predict. A substantial or extended decline in natural gas prices could adversely affect our ability to recharter our vessels at acceptable rates or to acquire and profitably operate new FSRUs or LNG carriers. 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. Hire rates for newbuilding FSRUs and LNG carriers are correlated with their purchase price. Hire rates at a time when we may be seeking a new charter may be lower than the hire rates at which our vessels are currently chartered. If rates are lower when we are seeking a new charter, our earnings and ability to make distributions to our unitholders may decline.

Vessel values may fluctuate substantially and, if these values are lower at a time when we are attempting to dispose of vessels, we may incur a loss.

Vessel values can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the natural gas and energy markets;
- a substantial or extended decline in demand for LNG;
- increases in the supply of vessel capacity;
- the size and age of a vessel; and

- the cost of retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, customer requirements or otherwise.

As our vessels age, the expenses associated with maintaining and operating them are expected to increase, which could have an adverse effect on our business and operations if we do not maintain sufficient cash reserves for maintenance and replacement capital expenditures. Moreover, the cost of a replacement vessel would be significant.

If a charter terminates, we may be unable to re-deploy the affected vessels at attractive rates and, rather than continue to incur costs to maintain and finance them, we may seek to dispose of them. Our inability to dispose of vessels at a reasonable value could result in a loss on their sale and adversely affect our ability to purchase a replacement vessel, results of operations and financial condition and ability to make distributions to unitholders.

Our vessels may call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, which could adversely affect our business.

Although no vessels operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and countries identified by the U.S. government as state sponsors of terrorism, such as Cuba, Iran, Sudan and Syria, in the future our vessels may call on ports in these countries from time to time on our charterers' instructions. None of our vessels made any port calls to Iran in 2013. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act, or CISADA, which expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to companies such as ours and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In addition, in 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contacts with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, or the Iran Threat Reduction Act, which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the "Joint Plan of Action" ("JPOA"). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the United States and the European Union would voluntarily suspend certain sanctions for a period of six months.

On January 20, 2014, the United States and the European Union indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014.

Although it is our intention to comply with the provisions of the JPOA, there can be no assurance that we will be in compliance in the future, as such regulations and U.S. Sanctions may be amended over time, and the U.S. retains the authority to revoke the aforementioned relief if Iran fails to meet its commitments under the JPOA.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common units may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

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

The operation of FSRUs and LNG carriers is inherently risky. Although we carry protection and indemnity insurance consistent with industry standards, 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 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 or piracy 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 be subject to increased premium payments, or calls, if the value of our claim records, the claim records of our fleet managers, and/or the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability (including pollution-related liability) significantly exceed projected claims. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay distributions.

An increase in operating expenses or drydocking costs could materially and adversely affect our financial performance.

Our operating expenses and drydock capital expenditures 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 expense in our operations when our vessels are, for example, moving to or from dry-dock or when off-hire. 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.

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

LNG carriers and FSRUs require technically skilled officer staff with specialized training. Increases in our historical vessel operating expenses have been attributable primarily to the rising costs of recruiting and retaining officers for our fleet. The pool of technically competent crew members has not grown very much during the past few years as the demand for crew members was hampered by the lack of newbuild orders during the period between 2008 to 2010. However, more recently the number of orders for newbuild LNG carriers and FSRUs has grown and as deliveries of these new vessels start to materialize, the demand for technically skilled officers and crew has been increasing, which has led to a shortfall of such personnel. If Golar Management or Golar Wilhelmsen are unable to employ technically skilled staff and crew, they will not be able to adequately staff our vessels. A material decrease in the supply of technically skilled officers or an inability of Golar Management or Golar Wilhelmsen 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 our unitholders.

In addition, the *Golar Spirit* and the *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. Also, the *Golar Mazo* and the *NR Satu* are employed by Pertamina and PTNR, respectively, in Indonesia. As a result, we are required to hire a certain portion of Indonesian personnel to crew these vessels in accordance with Indonesian law. Any inability to attract and retain qualified Brazilian and Indonesian crew members could adversely affect our business, results of operations and financial condition and could significantly reduce our ability to make distributions to our unitholders.

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.

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

Historically our revenue has been generated in U.S. Dollars, but we incur capital, operating and administrative expenses in multiple currencies, including, among others, the Euro, the Brazilian Real, the Indonesian Rupiah and the British Pound. 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. Under the charters and OSAs for the *Golar Spirit* and *Golar Winter*, we generate a portion of our revenues in Brazilian Reais. We incur some operating expenses in Brazilian Reais but also have to convert Brazilian Reais into other currencies in order to pay the remaining operating expenses. 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 cause us to have less cash available for distribution.

Because we report our operating results in U.S. Dollars, changes in the value of the U.S. Dollar also result in fluctuations in our reported revenues and earnings. In addition, under U.S. GAAP, all foreign currency-denominated monetary assets and liabilities such as cash and cash equivalents, accounts receivable, restricted cash, accounts payable, long-term debt and capital lease obligation are revalued and reported based on the prevailing exchange rate at the end of the reporting period. This revaluation may cause us to report significant non-monetary foreign currency exchange gains and losses in certain periods.

One of our vessels is currently financed by a UK tax lease. In the event of any adverse tax changes or a successful challenge by the UK 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 UK vessel lessor, which could adversely affect our earnings and financial position.

One of our vessels is currently financed by a UK tax lease. In the event of any adverse tax changes to legislation affecting the tax treatment of the lease for the UK vessel lessor or a successful challenge by the UK Revenue authorities to the tax assumptions on which the transaction was based, or in the event that we terminate our UK tax lease before its 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 UK vessel lessor. Golar has agreed to indemnify us against these increased costs, but any default by Golar would not limit our obligation under this lease. Any additional payments could adversely affect our earnings and financial position. For more information on the UK tax lease, please read “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowing Activities—Capital Lease Obligations.”

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

An economic downturn in the global financial markets may lead to a decline in our customers' operations or ability to pay for our services, which could result in decreased demand for our vessels and services. Our customers' inability to pay could also result in their default on our current charters. The decline in the amount of services requested by our customers or their default on our charters with them could have a material adverse effect on our business, financial condition and results of operations.

We currently operate primarily outside the United States, which could expose us to political, governmental and economic instability that could harm our operations.

Because most of our operations are currently conducted outside of the United States, they may be affected by economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered. Any disruption caused by these factors could harm our business. In particular, we derive a substantial portion of our revenues from shipping LNG from politically unstable regions. Past political conflicts in these regions, particularly in the Arabian Gulf, Brazil and Indonesia, have included attacks on ships, mining of waterways and other efforts to disrupt shipping in the area. In addition to acts of terrorism, vessels trading in these and other regions have also been subject, in limited instances, to piracy. Future hostilities or other political instability in the Arabian Gulf, Brazil and Indonesia where we operate or may operate could have a material adverse effect on the growth of our business, results of operations and financial condition and our ability to make cash distributions. In addition, tariffs, trade embargoes and other economic sanctions by Brazil, the United States or other countries against countries in the Middle East, Southeast Asia or elsewhere as a result of terrorist attacks, hostilities or otherwise may limit trading activities with those countries, which could also harm our business and ability to make cash distributions.

We may not be able to redeploy our FSRUs on terms as favorable as our current FSRU charter arrangements or at all.

The market for FSRUs is growing rapidly but is relatively small in comparison to the LNG carrier market. In the event that any of the applicable charters are terminated, we may be unable to recharter the *Golar Spirit*, the *Golar Winter*, the *Golar Freeze*, the *NR Satu* or the *Golar Igloo*, as FSRUs for an extended period of time. While we may be able to employ these vessels as traditional LNG carriers (except for the *NR Satu*), the hire rates and/or other charter terms may not be as favorable to us as our charters on the *Golar Spirit* and the *Golar Winter* with Petrobras, the charter on the *Golar Freeze* with DUSUP, the charter on the *NR Satu* with PTNR and the charter on the *Golar Igloo* with Kuwait National Petroleum Company. If we acquire additional FSRUs and they are not, as a result of contract termination or otherwise, subject to a long-term profitable contract, we may be required to bid for projects at unattractive rates in order to reduce our losses relating to the vessels.

Due to our lack of diversification, adverse developments in our LNG transportation or storage and regasification businesses could reduce our ability to make distributions to our unitholders.

We rely exclusively on the cash flow generated from our FSRUs and LNG carriers. Due to our lack of diversification, an adverse development in the LNG transportation industry or the LNG storage and regasification industry could have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of businesses.

The shareholders' agreement with Chinese Petroleum Corporation with respect to the Golar Mazo contains provisions that may limit our ability to sell or transfer our interest in the Golar Mazo, which could have a material adverse effect on our cash flows and affect our ability to make distributions to our unitholders.

We have a 60% interest in the joint venture that owns the *Golar Mazo*, which enables us to control the joint venture subject to certain negative controls held by Chinese Petroleum Corporation (or CPC), who holds the remaining 40% interest in the *Golar Mazo*. Under the shareholders' agreement, no party may sell, assign, mortgage, or otherwise transfer its rights, interests or obligations under the agreement without the prior written consent of the other party. If we determine that the sale or transfer of our interest in the *Golar Mazo* is in our best interest, we must provide CPC notice of our intent to sell or transfer our interest and grant CPC a right of first refusal to purchase our interest. If CPC does not accept the offer within 60 days after we notify CPC, we will be free to sell or transfer our interest to a third party. Any delay in the sale or transfer of our interest in the *Golar Mazo* or restrictions in our ability to manage the joint venture could have a material adverse effect on our cash flows and affect our ability to make distributions to our unitholders.

PTNR has the right to purchase the NR Satu at any time after the first anniversary of the commencement date of its charter at a price that must be agreed upon between us and PTNR. In addition, PTNR has the option to extend the charter at a rate lower than the existing hire rate. The exercise of either of these options could have a material adverse effect on our cash flow and our ability to make distributions to our unitholders.

PTNR has the right to purchase the *NR Satu* at any time after the first anniversary of the commencement date of its charter at a price that must be agreed upon between us and PTNR. If PTNR exercises its purchase option, it would reduce the size of our fleet and we may be unable to identify or acquire a suitable replacement vessel with the proceeds of the option exercise. Even if we find a suitable replacement vessel, the hire rate of such vessel may be lower than the hire rate for the *NR Satu* under its charter. In addition, if PTNR exercises its option to extend the *NR Satu* charter, the total hire rate will be reduced by approximately 11.6% per day for any day in the extension period falling in 2023, with a further 7.0% reduction for any day in the extension period falling in 2024 and 2025. The exercise of either of these options could have a material adverse effect on our results of operations, cash flows and ability to make distributions to our unitholders.

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent, which may have a material adverse effect on our financial condition.

Risks Related to Our Industry

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

Our vessels and their cargoes are at risk of being damaged or lost because of events such as:

- marine disasters;
- piracy;
- environmental accidents;
- bad weather;
- mechanical failures;
- grounding, fire, explosions and collisions;
- human error; and
- war and terrorism.

An accident involving any of our vessels could result in any of the following:

- death or injury to persons, loss of property or environmental damage;
- delays in the delivery of cargo;
- loss of revenues from or termination of charter contracts;
- governmental fines, penalties or restrictions on conducting business;
- higher insurance rates; and
- damage to our reputation and customer relationships generally.

Any of these results could have a material adverse effect on our business, financial condition and operating results. 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 any of our vessels is involved in an accident with the potential risk of environmental consequences, 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 make distributions to unitholders.

A renewal of the global financial crisis could negatively impact our business.

Although there are signs that the economic recession has abated in some countries, there is still considerable instability in the world economy and in the economies of countries such as Greece, Spain, Portugal, Italy and Cyprus that could initiate a new economic downturn and result in a tightening in the credit markets, a low level of liquidity in financial markets, and volatility in credit and equity markets. A renewal of the financial crisis that affected the banking system and the financial markets over the past three years may negatively impact our business and financial condition in ways that we cannot predict. In addition, the uncertainty about current and future global economic conditions caused by a renewed 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. A 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.

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

Terrorist attacks and the continuing response of the United States and others to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world's financial markets and may affect our business, operating results, financial condition, ability to raise capital and future growth. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our business, financial condition, results of operations and ability to pay distributions.

In addition, LNG facilities, shipyards, vessels (including FSRUs and conventional LNG carriers), pipelines and gas fields could be targets of future terrorist attacks or piracy. 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 charters, which would harm our cash flow and our business. 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, FSRU or LNG carrier did occur, 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.

The LNG transportation, storage and regasification industry is subject to substantial environmental and other regulations, compliance with which may significantly limit our operations or increase our expenses.

Our operations are materially affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration, including those relating to equipping and operating FSRUs and LNG carriers, providing security and minimizing the potential for impacts to the environment from their operations. 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. Additional laws and regulations may be adopted that could limit our ability to do business or further increase costs, which could harm our business. In addition, failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of operations. We may become subject to additional laws and regulations if we enter new markets or trades.

These requirements can affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations, natural resource damages, personal injury and property damage claims in the event that there is a release of a hazardous materials from our vessels or otherwise in connection with our operations. Violations of, or liabilities under, safety and environmental requirements can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of our vessels. Events of this nature would have a material adverse impact on our financial condition and the results of operations.

We may be unable to obtain, maintain, and/or renew permits necessary for our operations or experience delays in obtaining such permits, which could have a material effect on our operations.

The design, construction and operation of FSRUs and interconnecting pipelines and the transportation of LNG are subject to governmental approvals and permits. The permitting rules, and the interpretations of those rules, are complex, change frequently and are often subject to discretionary interpretations by regulators, all of which may make compliance more difficult or impractical, and may increase the length of time it takes to receive regulatory approval for offshore LNG operations. In the future, the relevant regulatory authorities may take actions to restrict or prohibit the access of FSRUs or LNG carriers to various ports or adopt new rules and regulations applicable to FSRUs and LNG carriers that will increase the time needed to obtain necessary environmental permits. We cannot assure unitholders that such changes would not have a material effect on our operations.

Our vessels operating in international waters now or, in the future, will be subject to various federal, state and local laws and regulations relating to protection of the environment.

Our vessels traveling in international waters are subject to various existing regulations published by the International Maritime Organization (or the IMO) as well as marine pollution and prevention requirements imposed by the International Convention for the Prevention of Pollution from Ships. In addition, our LNG vessels may become subject to the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, as amended by the April 2010 Protocol to the HNS Convention (or the 2010 HNS Convention), if it is entered into force. In addition, national laws generally provide for a LNG carrier or offshore LNG facility owner or operator to bear strict liability for pollution, subject to a right to limit liability under applicable national or international regimes for limitation of liability. However, some jurisdictions are not a party to an international regime limiting maritime pollution liability, and, therefore, a vessel owner's or operator's rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

Please read "Item 4 Information on the Partnership—Business Overview—Environmental and Other Regulations—International Maritime Regulations of LNG Vessels" and "Other Regulation" below for a more detailed discussion on these topics.

Our vessels operating in U.S. waters now or, in the future, will be subject to various federal, state and local laws and regulations relating to protection of the environment.

Our vessels operating in U.S. waters now or, in the future, will be subject to various federal, state and local laws and regulations relating to protection of the environment, including the Oil Pollution Act of 1990 (OPA 90), the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Clean Water Act, and the Clean Air Act. In some cases, these laws and regulations require us to obtain governmental permits and authorizations before we may conduct certain activities. These environmental laws and regulations may impose substantial penalties for noncompliance and substantial liabilities for pollution. Failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. As with the industry generally, our operations will entail risks in these areas, and compliance with these laws and regulations, which may be subject to frequent revisions and reinterpretation, may increase our overall cost of business.

Please read "Item 4 Information on the Partnership—Business Overview—Environmental and Other Regulations- United States Environmental Regulation of LNG Vessels" below for a more detailed discussion of the regulations applicable to our vessels.

Further changes to existing environmental legislation that is applicable to international and national maritime trade may have an adverse effect on our business.

We believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will generally lead to additional regulatory requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements on all LNG carriers in the marine transportation markets and offshore LNG terminals. These requirements are likely to add incremental costs to our operations and the failure to comply with these requirements may affect the ability of our vessels to obtain and, possibly, collect on insurance or to obtain the required certificates for entry into the different ports where we operate.

Further legislation, or amendments to existing legislation, applicable to international and national maritime trade are expected over the coming years in areas such as ship recycling, sewage systems, emission control (including emissions of greenhouse gases), ballast treatment and handling, etc. The United States has recently enacted legislation and regulations that require more stringent controls of air and water emissions from ocean-going vessels. Such legislation or regulations may require additional capital expenditures or operating expenses (such as increased costs for low-sulfur fuel) in order for us to maintain our vessels' compliance with international and/or national regulations.

Climate change and greenhouse gas restrictions may adversely impact our operations and markets.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from vessel emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards, and incentives or mandates for renewable energy. Also, a treaty may be adopted in the future that requires the adoption of restrictions on shipping emissions. Compliance with changes in laws and regulations relating to climate change could increase our costs of operating and maintaining our vessels and could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also have an effect on demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Any long-term material adverse effect on the oil and gas industry could have a significant financial and operational adverse impact on our business that we cannot predict with certainty at this time.

Please read "Item 4 Information on the Partnership—Business Overview—Environmental and Other Regulations—Regulation of Greenhouse Gas Emissions" below for a more detailed discussion.

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

If we are in default on certain kinds of obligations, such as those to our lenders, 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 in the case of one of our charters) as a result of a claim against us, we may be in default of our charter and the charterer may terminate the charter. This would negatively impact our revenues and reduce our cash available for distribution to unitholders.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every large, oceangoing commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. With the exception of the *Golar Mazon*, which is certified by Lloyds Register, all other vessels in our current fleet are each certified by Det Norske Veritas.

As part of the certification process, a vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Each of the vessels in our existing fleet is on a planned maintenance system approval, and as such the classification society attends onboard once every year to verify that the maintenance of the equipment onboard is done correctly. Each of the vessels in our existing fleet is required to be qualified within its respective classification society for drydocking once every five years subject to an intermediate underwater survey done using an approved diving company in the presence of a surveyor from the classification society.

If any vessel does not maintain its class or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable. We would lose revenue while the vessel was off-hire and incur costs of compliance. This would negatively impact our revenues and reduce our cash available for distribution to unitholders.

Risks Inherent in an Investment in Us

Golar and its affiliates may compete with us.

Pursuant to the omnibus agreement, Golar and its affiliates (other than us, our general partner and our subsidiaries) generally agreed not to acquire, own, operate or charter certain FSRUs and LNG carriers operating under charters of five years or more. The omnibus agreement, however, contains significant exceptions that may allow Golar and its affiliates to compete with us, which could harm our business. Please read "Item 7—Major Unitholders and Related Party Transactions—Related Party Transactions—Omnibus Agreement—Noncompetition."

Unitholders have limited voting rights, and our partnership agreement restricts the voting rights of the unitholders owning more than 4.9% of our common units.

Unlike the holders of common stock in a corporation, holders of common units have only limited voting rights on matters affecting our business. We will hold a meeting of the limited partners every year to elect one or more members of our board of directors and to vote on any other matters that are properly brought before the meeting. Common unitholders will be entitled to elect only four of the seven members of our board of directors. The elected directors will be elected on a staggered basis and will serve for three year terms. Our general partner in its sole discretion will appoint the remaining three directors and set the terms for which those directors will serve. The partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. Unitholders will have no right to elect our general partner, and our general partner may not be removed except by a vote of the holders of at least 66 $\frac{2}{3}$ % of the outstanding common units and subordinated units, including any common units or subordinated units owned by our general partner and its affiliates, voting together as a single class.

Our partnership agreement further restricts unitholders' voting rights by providing that if any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board), determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

Our general partner and its other affiliates own a significant interest in us and have conflicts of interest and limited fiduciary and contractual duties, which may permit them to favor their own interests to the detriment of our unitholders.

Golar owns a 40.2% limited partner interest in us and owns and controls our general partner. All of our officers and certain of our directors are directors and/or officers of Golar or its affiliates and, as such, they have fiduciary duties to Golar that may cause them to pursue business strategies that disproportionately benefit Golar or which otherwise are not in the best interests of us or our unitholders. Conflicts of interest may arise between Golar and its affiliates (including our general partner) on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner and its affiliates may favor their own interests over the interests of our unitholders. These conflicts include, among others, the following situations:

- neither our partnership agreement nor any other agreement requires our general partner or Golar or its affiliates to pursue a business strategy that favors us or utilizes our assets, and Golar's officers and directors have a fiduciary duty to make decisions in the best interests of the shareholders of Golar, which may be contrary to our interests;

- our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. Specifically, our general partner will be considered to be acting in its individual capacity if it exercises its call right, pre-emptive rights, registration rights or right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, general partner interest or incentive distribution rights or votes upon the dissolution of the partnership;
- our general partner and our directors have limited their liabilities and reduced their fiduciary duties under the laws of the Marshall Islands, while also restricting the remedies available to our unitholders, and, as a result of purchasing common units, unitholders are treated as having agreed to the modified standard of fiduciary duties and to certain actions that may be taken by our general partner and our directors, all as set forth in the partnership agreement;
- our general partner is entitled to reimbursement of all reasonable costs incurred by it and its affiliates for our benefit;
- our partnership agreement does not restrict us from paying our general partner or its affiliates for any services rendered to us on terms that are fair and reasonable or entering into additional contractual arrangements with any of these entities on our behalf;
- our general partner may exercise its right to call and purchase our common units if it and its affiliates own more than 80% of our common units; and our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of its limited call right.

Although a majority of our directors are elected by common unitholders, our general partner will likely have substantial influence on decisions made by our board of directors.

Our officers face conflicts in the allocation of their time to our business.

Our officers, all but one of whom are directors or officers of Golar Management and perform executive officer functions for us pursuant to the management and administrative services agreement, are not required to work full-time on our affairs and also perform services for affiliates of our general partner, including Golar. The affiliates of our general partner, including Golar, conduct substantial businesses and activities of their own in which we have no economic interest. As a result, there could be material competition for the time and effort of our officers who also provide services to our general partner's affiliates, which could have a material adverse effect on our business, results of operations and financial condition. Please read "Item 6—Directors, Senior Management and Employees."

Our partnership agreement limits our general partner's and our directors' fiduciary duties to our unitholders and restricts the remedies available to unitholders for actions taken by our general partner or our directors.

Our partnership agreement provides that our general partner will delegate to our board of directors the authority to oversee and direct our operations, management and policies on an exclusive basis, and such delegation will be binding on any successor general partner of the partnership. Our partnership agreement also contains provisions that reduce the standards to which our general partner and directors would otherwise be held by Marshall Islands law. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. Where our partnership agreement permits, our general partner may consider only the interests and factors that it desires, and in such cases it has no fiduciary duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our unitholders. Decisions made by our general partner in its individual capacity will be made by its sole owner, Golar. Specifically, pursuant to our partnership agreement, our general partner will be considered to be acting in its individual capacity if it exercises its right to make a determination to receive common units in exchange for resetting the target distribution levels related to the incentive distribution rights (or the IDRs), call right, pre-emptive rights or registration rights, consents or withholds consent to any merger or consolidation of the partnership, appoints any directors or votes for the election of any director, votes or refrains from voting on amendments to our partnership agreement that require a vote of the outstanding units, voluntarily withdraws from the partnership, transfers (to the extent permitted under our partnership agreement) or refrains from transferring its units, general partner interest or IDRs or votes upon the dissolution of the partnership;
- provides that our general partner and our directors are entitled to make other decisions in "good faith" if they reasonably believe that the decision is in our best interests;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the conflicts committee of our board of directors and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be “fair and reasonable” to us and that, in determining whether a transaction or resolution is “fair and reasonable,” our board of directors may consider the totality of the relationships between the parties involved, including other transactions that may be particularly advantageous or beneficial to us; and
- provides that neither our general partner nor our officers or our directors will be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or directors or its officers or directors or those other persons engaged in actual fraud or willful misconduct.

In order to become a limited partner of our partnership, a common unitholder is required to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above.

Fees and cost reimbursements, which Golar Management determines for services provided to us, are substantial, are payable regardless of our profitability and reduce our cash available for distribution to our unitholders.

Pursuant to the fleet management agreements, we pay fees for services provided to us and our subsidiaries by Golar Management (a subsidiary of Golar) and certain other affiliates of Golar, including Golar Wilhelmsen, and we reimburse these entities for all expenses they incur on our behalf. These fees and expenses include all costs and expenses incurred in providing certain commercial and technical management services to our subsidiaries.

In addition, pursuant to a management and administrative services agreement Golar Management provides us with significant management, administrative, financial and other support services. We reimburse Golar Management for its reasonable costs and expenses incurred in connection with the provision of these services. In addition, we pay Golar Management a management fee equal to 5% of its costs and expenses incurred in connection with providing services to us.

For a description of the fleet management agreements and the management and administrative services agreement, please read “Item 7—Major Unitholders and Related Party Transactions.” Fees and expenses payable pursuant to the fleet management agreements and the management and administrative services agreement are payable without regard to our financial condition or results of operations. The payment of fees to and the reimbursement of expenses of Golar Management, Golar Wilhelmsen and certain other affiliates of Golar could adversely affect our ability to pay cash distributions to our unitholders.

Our partnership agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our general partner, and even if public unitholders are dissatisfied, they will be unable to remove our general partner without Golar’s consent, unless Golar’s ownership interest in us is decreased; all of which could diminish the trading price of our common units.

Our partnership agreement contains provisions that may have the effect of discouraging a person or group from attempting to remove our current management or our general partner.

- The unitholders will initially be unable to remove our general partner without its consent because our general partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 $\frac{2}{3}$ % of all outstanding common and subordinated units voting together as a single class is required to remove the general partner. Golar currently owns 40.2% of the outstanding common and subordinated units.

- If our general partner is removed without “cause” during the subordination period and units held by our general partner and Golar are not voted in favor of that removal, all remaining subordinated units will automatically convert into common units, any existing arrearages on the common units will be extinguished, and our general partner will have the right to convert its general partner interest and its IDRs (and Golar will have the right to convert its IDRs) into common units or to receive cash in exchange for those interests based on the fair market value of those interests at the time. A removal of our general partner under these circumstances would adversely affect the common units by prematurely eliminating their distribution and liquidation preference over the subordinated units, which would otherwise have continued until we had met certain distribution and performance tests. Any conversion of the general partner interest or IDRs would be dilutive to existing unitholders. Furthermore, any cash payment in lieu of such conversion could be prohibitively expensive. “Cause” is narrowly defined to mean that a court of competent jurisdiction has entered a final, non-appealable judgment finding our general partner liable for actual fraud or willful or wanton misconduct in its capacity as our general partner. Cause does not include most cases of charges of poor business decisions, such as charges of poor management of our business by the directors appointed by our general partner, so the removal of our general partner because of the unitholders’ dissatisfaction with the general partner’s decisions in this regard would most likely result in the termination of the subordination period.
- Common unitholders will be entitled to elect only four of the seven members of our board of directors. Our general partner in its sole discretion will appoint the remaining three directors.
- Election of the four directors elected by unitholders is staggered, meaning that the members of only one of three classes of our elected directors will be selected each year. In addition, the directors appointed by our general partner will serve for terms determined by our general partner.
- Our partnership agreement contains provisions limiting the ability of unitholders to call meetings of unitholders, to nominate directors and to acquire information about our operations as well as other provisions limiting the unitholders’ ability to influence the manner or direction of management.
- Unitholders’ voting rights are further restricted by the partnership agreement provision providing that if any person or group owns beneficially more than 4.9% of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of unitholders, calculating required votes (except for purposes of nominating a person for election to our board), determining the presence of a quorum or for other similar purposes, unless required by law. The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of all classes of units entitled to vote. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.
- There are no restrictions in our partnership agreement on our ability to issue equity securities.

The effect of these provisions may be to diminish the price at which the common units will trade.

The control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. In addition, our partnership agreement does not restrict the ability of the members of our general partner from transferring their respective membership interests in our general partner to a third party.

Substantial future sales of our common units in the public market could cause the price of our common units to fall.

We have granted registration rights to Golar and certain of its affiliates. These unitholders have the right, subject to some conditions, to require us to file registration statements covering any of our common, subordinated or other equity securities owned by them or to include those securities in registration statements that we may file for ourselves or other unitholders. As of April 25, 2014, Golar owns 8,838,096 common units and 15,949,831 subordinated units and 100% of the IDRs (directly and through its ownership of our general partner). Following their registration and sale under the applicable registration statement, those securities will become freely tradable. By exercising their registration rights and selling a large number of common units or other securities, these unitholders could cause the price of our common units to decline.

Our general partner, as the holder of a majority of the IDRs, may elect to cause us to issue additional common units to it and Golar in connection with a resetting of the target distribution levels related to our general partner's and Golar's IDRs without the approval of the conflicts committee of our board of directors or holders of our common units and subordinated units. This may result in lower distributions to holders of our common units in certain situations.

Our general partner, as the initial holder of a majority of the IDRs, has the right, at a time when there are no subordinated units outstanding and our general partner and Golar have received incentive distributions at the highest level to which they are entitled (48%) for each of the prior four consecutive fiscal quarters, to reset the initial cash target distribution levels at higher levels based on the distribution at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution amount will be reset to an amount equal to the average cash distribution amount per common unit for the two fiscal quarters immediately preceding the reset election (such amount is referred to as the "reset minimum quarterly distribution"), and the target distribution levels will be reset to correspondingly higher levels based on the same percentage increases above the reset minimum quarterly distribution amount.

In connection with resetting these target distribution levels, our general partner and Golar will be entitled to receive a number of common units equal to that number of common units whose aggregate quarterly cash distributions equaled the average of the distributions to our general partner and Golar on the IDRs in the prior two quarters. We anticipate that our general partner would exercise this reset right in order to facilitate acquisitions or internal growth projects that would not be sufficiently accretive to cash distributions per common unit without such conversion; however, it is possible that our general partner could exercise this reset election at a time when it is experiencing, or may be expected to experience, declines in the cash distributions it receives related to its IDRs and may therefore desire to be issued our common units, rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience dilution in the amount of cash distributions that they would have otherwise received had we not issued additional common units to our general partner in connection with resetting the target distribution levels related to our general partner's and Golar's IDRs.

We may issue additional equity securities, including securities senior to the common units, without the approval of our unitholders, which would dilute our current unitholders' ownership interests.

We may, without the approval of our unitholders, issue an unlimited number of additional units or other equity securities. In addition, we may issue an unlimited number of units that are senior to the common units in right of distribution, liquidation and voting. The issuance by us of additional common units or other equity securities of equal or senior rank will have the following effects:

- our unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- because a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by our common unitholders will increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash.

During the subordination period, which we define elsewhere in this Annual Report, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3850 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units. Upon the expiration of the subordination period, the subordinated units will convert into common units and will then participate pro rata with other common units in distributions of available cash. See "Item 8—Financial Information—Our Cash Distribution Policy."

In establishing cash reserves, our board of directors may reduce the amount of cash available for distribution to our unitholders.

Our partnership agreement requires our general partner to deduct from operating surplus cash reserves that it determines are necessary to fund our future operating expenditures. These reserves also will affect the amount of cash available for distribution to our unitholders. Our board of directors may establish reserves for distributions on the subordinated units, but only if those reserves will not prevent us from distributing the full minimum quarterly distribution, plus any arrearages, on the common units for the following four quarters. As described above in “—Risks Inherent in Our Business—We must make substantial capital expenditures to maintain and replace the operating capacity of our fleet, which will reduce our cash available for distribution. In addition, each quarter we are required to deduct estimated maintenance and replacement capital expenditures from operating surplus, which may result in less cash available to unitholders than if actual maintenance and replacement capital expenditures were deducted,” our partnership agreement requires our board of directors each quarter to deduct from operating surplus estimated maintenance and replacement capital expenditures, as opposed to actual maintenance and replacement capital expenditures, which could reduce the amount of available cash for distribution. The amount of estimated maintenance and replacement capital expenditures deducted from operating surplus is subject to review and change by our board of directors at least once a year, provided that any change must be approved by the conflicts committee of our board of directors.

Our general partner has a limited call right that may require unitholders to sell their common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price not less than the then-current market price of our common units. Our general partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon the exercise of this limited call right. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return on their investment. Unitholders may also incur a tax liability upon a sale of units.

Golar, which owns and controls our general partner, currently owns 19.4% of our common units. At the end of the subordination period, assuming we do not issue any additional common units and the conversion of our subordinated units into common units, Golar will own 40.2% of our common units.

Unitholders may not have limited liability if a court finds that unitholder action constitutes control of our business.

As a limited partner in a partnership organized under the laws of the Marshall Islands, a unitholder could be held liable for our obligations to the same extent as a general partner if a unitholder participates in the “control” of our business. Our general partner generally has unlimited liability for the obligations of the partnership, such as its debts and environmental liabilities, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner. In addition, the limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some jurisdictions in which we do business.

We can borrow money to pay distributions, which would reduce the amount of credit available to operate our business.

Our partnership agreement allows us to make working capital borrowings to pay distributions. Accordingly, if we have available borrowing capacity, we can make distributions on all our units even though cash generated by our operations may not be sufficient to pay such distributions. Any working capital borrowings by us to make distributions will reduce the amount of working capital borrowings we can make for operating our business. For more information, please read “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Increases in interest rates may cause the market price of our common units to decline.

An increase in interest rates may cause a corresponding decline in demand for equity investments in general, and in particular for yield-based equity investments such as our common units. Any such increase in interest rates or reduction in demand for our common units resulting from other relatively more attractive investment opportunities may cause the trading price of our common units to decline.

Unitholders may have liability to repay distributions.

Under some circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under the Marshall Islands Limited Partnership Act (or the Marshall Islands Act), we may not make a distribution to unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Marshall Islands law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Marshall Islands law will be liable to the limited partnership for the distribution amount. Assignees who become substituted limited partners are liable for the obligations of the assignor to make contributions to the partnership that are known to the assignee at the time it became a limited partner and for unknown obligations if the liabilities could be determined from the partnership agreement. Liabilities to partners on account of their partnership interest and liabilities that are non-recourse to the partnership are not counted for purposes of determining whether a distribution is permitted.

We have been organized as a limited partnership under the laws of the Republic of the Marshall Islands, which does not have a well developed body of partnership law.

Our partnership affairs are governed by our partnership agreement and by the Marshall Islands Act. The provisions of the Marshall Islands Act resemble provisions of the limited partnership laws of a number of states in the United States, most notably Delaware. The Marshall Islands Act also provides that it is to be applied and construed to make it uniform with the Delaware Revised Uniform Partnership Act and, so long as it does not conflict with the Marshall Islands Act or decisions of the Marshall Islands courts, interpreted according to the non-statutory law (or case law) of the State of Delaware. There have been, however, few, if any, court cases in the Marshall Islands interpreting the Marshall Islands Act, in contrast to Delaware, which has a fairly well-developed body of case law interpreting its limited partnership statute. Accordingly, we cannot predict whether Marshall Islands courts would reach the same conclusions as the courts in Delaware. For example, the rights of our unitholders and the fiduciary responsibilities of our general partner under Marshall Islands law are not as clearly established as under judicial precedent in existence in Delaware. As a result, unitholders may have more difficulty in protecting their interests in the face of actions by our general partner and its officers and directors than would unitholders of a similarly organized limited partnership in the United States.

Because we are organized under the laws of the Marshall Islands, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands, and substantially all of our assets are located outside of the United States. In addition, our general partner is a Marshall Islands limited liability company, and our directors and officers generally are or will be non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for a unitholder to bring an action against us or against these individuals in the United States if such unitholder believes that its rights have been infringed under securities laws or otherwise. Even if a unitholder is successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict such unitholder from enforcing a judgment against our assets or the assets of our general partner or our directors or officers.

Tax Risks

In addition to the following risk factors, read “Item 4—Information on the Partnership—Taxation of the Partnership,” “Item 10—Additional Information—Taxation—Material U.S. Federal Income Tax Considerations” and “—Non-United States Tax Considerations” for a more complete discussion of the expected material U.S. federal and non-U.S. income tax considerations relating to us and the ownership and disposition of our common units. Read “Item 3—Key Information—Risk Factors—Risks Inherent in Our Business” for a discussion on risks relating to UK tax leases.

U.S. tax authorities could treat us as a “passive foreign investment company,” which would have adverse U.S. federal income tax consequences to U.S. unitholders.

A non-U.S. entity treated as a corporation for U.S. federal income tax purposes will be treated as a “passive foreign investment company” (or PFIC) for U.S. federal income tax purposes if at least 75.0% of its gross income for any taxable year consists of “passive income” or at least 50.0% of the average value of its assets produce, or are held for the production of, “passive income.” For purposes of these tests, “passive income” includes dividends, interest, gains from the sale or exchange of investment property, and rents and royalties other than rents and royalties that 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.” U.S. shareholders of a PFIC are subject to a disadvantageous U.S. 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 interests in the PFIC.

Based on our current and projected method of operation, we believe that we were not a PFIC for any taxable year, and we expect that we will not be treated as a PFIC for the current or for any future taxable year. We believe that more than 25.0% of our gross income for each taxable year was or will be nonpassive income and more than 50.0% of the average value of our assets for each such year was or will be held for the production of such nonpassive income. This belief is based on certain valuations and projections regarding our assets, income and charters, and its validity is conditioned on the accuracy of such valuations and projections. While we believe such valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that they will continue to be accurate at any time in the future.

Moreover, there are legal uncertainties involved in determining whether the income derived from time-chartering activities constitutes rental income or income derived from the performance of services. In *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009), the Fifth Circuit held that income derived from certain time-chartering activities should be treated as rental income rather than services income for purposes of a provision of the Code relating to foreign sales corporations. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time-chartering activities may be treated as rental income, and we would likely be treated as a PFIC. In published guidance, the Internal Revenue Service, IRS, stated that it disagreed with the holding in *Tidewater*, and specified that time charters similar to those at issue in the case should be treated as service contracts. We have not sought, and we do not expect to seek, an IRS ruling on the treatment of income generated from our time-chartering activities. As a result, the IRS or a court could disagree with our position. No assurance can be given that this result will not occur. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to each taxable year, we cannot assure unitholders that the nature of our operations will not change in the future and that we will not become a PFIC in any taxable year. If the IRS were to find that we are or have been a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), our U.S. unitholders would face adverse U.S. federal income tax consequences. Please read “Item 10—Additional Information—Taxation—Material U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences” for a more detailed discussion of the U.S. federal income tax consequences to U.S. unitholders if we are treated as a PFIC.

We may have to pay tax on U.S. source income, which would reduce our cash flow.

Under the Code, 50.0% of the gross transportation income of a vessel owning or chartering corporation, such as ourselves, that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States is characterized as U.S. source gross transportation income. U.S. source gross transportation income generally is subject to a 4.0% U.S. federal income tax without allowance for deduction unless the corporation qualifies for exemption from tax under Section 883 of the Code and the regulations promulgated thereunder.

We believe that we and each of our subsidiaries engaged in transportation will qualify for the Section 883 tax exemption for the foreseeable future, and we will take this position for U.S. federal income tax return reporting purposes. However, there are factual circumstances, including some that may be beyond our control, that could cause us to lose the benefit of this tax exemption. In addition, our position that we qualify for this exemption is based upon legal authorities that do not expressly contemplate an organizational structure such as ours; specifically, although we have elected to be treated as a corporation for U.S. federal income tax purposes, we are organized as a limited partnership under Marshall Islands law. Therefore, we can give no assurance that the IRS will not take a different position regarding our qualification, or the qualification of any of our subsidiaries, for the Section 883 tax exemption.

If we or our subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries generally would be subject to a 4.0% U.S. federal gross income tax on our U.S. source gross transportation income for such year. Our failure to qualify for the exemption under Section 883 could have a negative effect on our business and would result in decreased earnings available for distribution to our unitholders. The vessels in our fleet do not currently engage, and we do not expect that they will in the future engage, in transportation that begins and ends in the United States, and we do not currently anticipate providing any regasification or storage services within the territorial seas of the United States. If, notwithstanding this expectation, our subsidiaries earn income in the future from regasification or storage services in the United States or from transportation that begins and ends in the United States, that income would not be exempt from U.S. federal income tax under Section 883 of the Code and would be subject to a 35% net income tax in the United States. Please read “Item 4—Information on the Partnership—Taxation of the Partnership—The Section 883 Exemption” for a more detailed discussion of the rules relating to qualification for the exemption under Section 883 and the consequences of failing to qualify for such an exemption.

Unitholders may be subject to income tax in one or more non-U.S. jurisdictions, including the United Kingdom, as a result of owning our common units if, under the laws of any such jurisdiction, we are considered to be carrying on business there. Such laws may require unitholders to file a tax return with, and pay taxes to, those jurisdictions.

We intend to conduct our affairs and cause or influence each of our subsidiaries to operate its business in a manner that minimizes income taxes imposed upon us and our subsidiaries and that may be imposed upon a unitholder as a result of owning our common units. However, because we are organized as a partnership, there is a risk in some jurisdictions, including the United Kingdom, that our activities or the activities of our subsidiaries may be attributed to our unitholders for tax purposes if, under the laws of such jurisdiction, we are considered to be carrying on business there. If a unitholder is subject to tax in any such jurisdiction, such unitholder may be required to file a tax return with, and to pay tax in, that jurisdiction based on such unitholder’s allocable share of our income. We may be required to reduce distributions to a unitholders on account of any tax withholding obligations imposed upon us by that jurisdiction in respect of such allocation to such unitholder. The United States may not allow a tax credit for any foreign income taxes that a unitholder directly or indirectly incurs by virtue of an investment in us.

We believe we can conduct our affairs in a manner that does not result in our unitholders being considered to be carrying on business in the United Kingdom solely as a consequence of the acquisition, ownership, disposition or redemption of our common units. However, the question of whether either we or any of our subsidiaries will be treated as carrying on business in any jurisdiction, including the United Kingdom, will be largely a question of fact to be determined through an analysis of contractual arrangements, including the fleet management agreements that our subsidiaries have entered into with Golar Management, certain other subsidiaries of Golar and certain third-party vessel managers and the management and administrative service agreement that we have entered into with Golar Management, as well as through an analysis of the manner in which we conduct business or operations, all of which may change over time. Furthermore, the laws of the United Kingdom or any other jurisdiction may also change, which could cause that jurisdiction’s taxing authorities to determine that we are carrying on business in such jurisdiction and that we or our unitholders are subject to its taxation laws. In addition to the potential for taxation of our unitholders, any additional taxes imposed on us or any of our subsidiaries will reduce our cash available for distribution.

Item 4. Information on the Partnership

A. History and Development of the Partnership

We are a publicly traded limited partnership formed initially as a wholly owned subsidiary of Golar LNG Limited (Nasdaq: GLNG), a leading independent owner and operator of Floating Storage Regasification Units (or FSRUs) and LNG carriers, to own and operate FSRUs and LNG carriers under long-term charters. As of April 25, 2014, we have a fleet of five FSRUs and four LNG carriers.

Upon our formation, Golar contributed to us a 100% interest in certain subsidiaries which owned a 60% interest in the *Golar Mazo* and which leased the *Golar Spirit* and the *Methane Princess*. In April 2011, we completed our IPO of 13.8 million common units. In connection with our IPO, Golar transferred to us a 100% interest in the subsidiary which leases the *Golar Winter* and the legal title to the *Golar Spirit*.

In October 2011, we completed the acquisition of 100% interests in subsidiaries that own and operate the FSRU, the *Golar Freeze* from Golar for a purchase price of \$330.0 million for the vessel plus \$9.0 million of working capital adjustments less assumed bank debt of \$108.0 million.

In July 2012, we acquired from Golar interests in the companies that own and operate the *NR Satu*, which is currently operating under a time charter that expires in 2022 with PTNR, for a purchase price of approximately \$385.0 million for the vessel plus working capital adjustments of \$3.0 million. In addition, in November 2012, we acquired from Golar interests in the companies that lease and operate the *Golar Grand*, which is currently operating under a time charter that expires in 2015 with BG Group for a purchase price of \$265.0 million for the vessel plus working capital adjustments of \$2.6 million less the assumed capital lease obligations of \$90.8 million.

In February 2013, we acquired from Golar interests in the company that owns and operates the LNG carrier, the *Golar Maria*, which is currently operating under a time charter with LNG Shipping, a subsidiary of Eni S.p.A that expires in December 2017, for a purchase price of approximately \$215.0 million less the assumed debt of \$89.5 million. In March 2014, we acquired from Golar interests in the company that owns and operates the *Golar Igloo*, which is currently operating under a time charter with Kuwait National Petroleum Company or KNPC that expires in December 2018, for a purchase price of approximately \$310.0 million less assumed debt of \$161.3 million and net working capital adjustments. See “Item 5. Operating and Financial Review and Prospects” for a description of our acquisitions of the *Golar Freeze*, the *NR Satu*, the *Golar Grand*, the *Golar Maria* and the *Golar Igloo* and the financing arrangements related thereto.

In this Annual Report, we refer to the four vessels that were contributed to us in connection with our formation and our IPO as our initial fleet. In this Annual Report, the *Golar Freeze*, the *NR Satu* and the *Golar Grand* are referred to collectively as the Dropdown Predecessor. We refer to the vessels in our initial fleet, the Dropdown Predecessor, the *Golar Maria*, and the *Golar Igloo*, collectively, as our current fleet.

We were formed on September 24, 2007 under the laws of the Republic of the Marshall Islands and maintain our principal executive headquarters at Par-La-Ville Place, 14 Par-la-Ville Road, Hamilton, HM08, Bermuda. Our telephone number at that address is +1 (441) 295-4705. Our principal administrative offices are located at 13th Floor, One America Square, 17 Crosswall, London EC3N 2LB, United Kingdom.

B. Business Overview

General

Our business is to own and operate FSRUs and LNG carriers under long-term time charters (which we define as charters with terms of five or more years). Our primary business objective is to increase quarterly distributions per unit over time by growing our business through accretive acquisitions of FSRUs and LNG carriers and by chartering our vessels pursuant to long-term charters with high quality customers that generate long-term stable cash flows. The vessels in our current fleet are chartered to BG Group, Pertamina, Petrobras, Dubai Supply Authority, PTNR, Eni S.p.A. and KNPC under long-term time charters that had an average remaining term of six years as of March 31, 2014. Since our IPO in April 2011, we have increased our quarterly distribution from \$0.385 per unit paid on a prorated basis for the period from the closing of our IPO through June 30, 2011, to \$0.5225 per unit for the quarter ended December 31, 2013.

We intend to leverage the relationships, expertise and reputation of Golar, a leading independent owner and operator of FSRUs and LNG carriers, to pursue potential growth opportunities and to attract and retain high-quality, creditworthy customers. As of April 25, 2014, Golar owned our 2.0% general partner interest, all of our IDRs and a 40.2% limited partner interest in us. Golar intends to utilize us as its primary growth vehicle to pursue the acquisition of long-term stable cash flow generating FSRUs and LNG carriers.

Business Strategies

Our primary business objective is to increase quarterly distributions per unit over time by executing the following strategies:

- ***Pursue strategic and accretive acquisitions of FSRUs and LNG carriers.*** We believe our affiliation with Golar positions us to pursue a broader array of growth opportunities, including strategic and accretive acquisitions from Golar, with Golar or from third parties.
- ***Compete for long-term charter contracts for FSRUs and LNG carriers when attractive opportunities arise.*** We intend to participate in competitive tender processes and engage in negotiated transactions with potential charterers for both FSRUs and LNG carriers when attractive opportunities arise by leveraging the strength of the industry expertise of Golar and the Fredriksen Group, as well as our publicly traded partnership status.

- ***Manage our fleet and our customer relationships to provide a stable base of cash flows and superior operating performance.*** We intend to manage the stability of cash flows in our fleet by actively seeking the extension or renewal of existing charters, entering into new long-term charters with current customers and identifying potential business opportunities with new high-quality charterers.

We can provide no assurance, however, that we will be able to implement our business strategies described above. For further discussion of the risks that we face, please read “Item 3—Key Information—Risk Factors”.

The Natural Gas Industry

Predominately used to generate electricity and as a heating source, natural gas is one of the "big three" fossil fuels that make up the vast majority of world energy consumption. As a cleaner burning fuel than both oil and coal, natural gas has become an increasingly attractive fuel source in the last decade. As more emphasis is placed on reducing carbon emissions, the Organization for Economic Cooperation and Development ("OECD") nations have come to view natural gas as a way of reducing their environmental footprint, particularly for electricity where natural gas-fired facilities have been gradually replacing oil, coal and older natural gas-fired plants. More recently, China has indicated a strong desire to address air quality issues that have arisen following a rapid expansion in the use of coal fired power plants. Gas fired electricity generation is expected to feature prominently in their efforts to address environmental issues as aging coal fired plants are gradually replaced and to meet additional incremental electricity generation requirements.

According to the EIA International Energy Outlook for 2013, worldwide energy consumption is projected to increase by 56% from 2010 to 2040, with total energy demand in non-OECD countries increasing by 90%, compared with an increase of 17% in OECD countries. Natural gas consumption worldwide is forecast to increase by 63%, from 113 trillion cubic feet (or Tcf) in 2010 to 185 Tcf in 2040. Reduced emphasis placed on nuclear power which previously played a more prominent role in Japan and South Korea's planned energy mix or its subsequent phasing out in other countries such as Germany together with a concerted effort by China to address domestic coal induced air quality issues over the coming years is likely to see natural gas feature more prominently as the substitution fuel of choice. The lower carbon intensity of natural gas relative to coal and oil also make it a favored fuel for industrial and electric power sectors in an increasing number of other countries where governments are introducing policies to reduce greenhouse gases.

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

- ***Environmental:*** Natural gas is a clean-burning fuel. It produces less carbon dioxide and other pollutants and particles per unit of energy produced than coal, fuel oil and other common hydrocarbon fuel sources;
- ***Demand from Industry and Power Generation:*** According to the EIA, electricity generation increases by 93%, from 20.2 trillion kilowatthours in 2010 to 39.0 trillion kilowatthours in 2040. In 2010, natural gas accounted for around 22% of global electricity generation. This share, projected to increase to 24% by 2040, does not take into account the emerging use of LNG in transportation, particularly in the marine sector. Natural-gas-fired combined-cycle technology is an attractive choice for new power plants because of its fuel efficiency, operating flexibility, low emissions, and relatively low capital costs. The industrial and electric power sectors together account for 77% of the total projected increase in natural gas consumption;
- ***Market Deregulation:*** Deregulation of the natural gas and electric power industries in the United States, Europe and Japan has resulted in new entrants and an increased market for natural gas;
- ***Significant Natural Gas Reserves:*** According to EIA estimates, as of January 1, 2013, the world's total proved natural gas reserves were 6,793 Tcf, 1% higher than the 2011 estimate. Current estimates of natural gas reserve levels indicate a large resource base to support growth in markets through 2040; and
- ***Emerging Economies:*** According to the EIA, natural gas consumption is forecast to increase by an average of 2.2% per year through 2040 in non-OECD countries, compared to an average of 1.0% per year in OECD countries. As a result, non-OECD countries are expected to account for 72% of the total increase in natural gas consumption over the period from 2010 to 2040.

These factors, in addition to overall global economic growth, are expected to contribute to an increase in the consumption of natural gas. There is a growing disparity between the amount of natural gas produced and the amount of natural gas consumed in many major consuming countries, which will likely cause those countries to rely on imports for a greater portion of their natural gas consumption. Importers must either import natural gas through a pipeline or, alternatively, in the form of LNG aboard ships. LNG is natural gas that has been converted into its liquid state through a cooling process, which allows for efficient transportation by sea. Upon arrival at its destination, LNG is returned to its gaseous state by either an FSRU or land based regasification facilities for distribution to consumers through pipelines.

Natural gas is an abundant fuel source, with the EIA estimating that, as of January 1, 2013, worldwide proved natural gas reserves were 6,793 Tcf having grown by 39% over the past 20 years. Almost three-quarters of the world's natural gas reserves are located in the Middle East and Eurasia. Russia, Iran and Qatar accounted for 55% of the world's natural gas reserves as of January 1, 2013, and the United States, the fifth largest holder of natural gas reserves, will see an increase in production growth from 21.2 tcf in 2010 to 33.1 tcf in 2040. Production in the Australia/New Zealand region is forecast to increase from 1.9tcf in 2010 to 6.7tcf in 2040 with most originating from Australia and much of this coming to market over the next 5-6 years. More recently, sizeable new discoveries are being made on the east coast of Africa in countries including Mozambique, Tanzania and Kenya.

The EIA predicts a substantial increase in the production of "unconventional" natural gas, including tight gas, shale gas and coalbed methane. Shale gas production is now underway outside the US (Canada) and is slated to commence elsewhere including China, Australia, Mexico, Britain and other parts of OECD Europe. Although reserves of unconventional natural gas are unknown, a 2013 EIA report on relatively near term technically recoverable shale gas indicates 7,299 tcf of estimated risked recoverable resource. This estimate is 10% higher than that included in their 2011 report. Interestingly, the resource estimate for China is 13% lower than the 2011 expectation as a result of a downward revision to reserves in one particular basin. Much of the resource in this basin is deeper than what is currently considered to be commercially recoverable. Future advances in drilling technology have the potential to reverse this.

Although the growth in production of unconventional domestic natural gas has resulted in a reduced rate of growth in LNG demand in the U.S., the long-term impact of shale gas and other unconventional natural gas production on the global LNG trade is unclear. Substantial increases in the extraction of U.S. shale gas in 2008 and 2009 initially suppressed demand for U.S. bound LNG and, therefore, LNG shipping. Since 2010 there have been a number of cargoes redirected to the Far East which has increased LNG ton miles and demand for LNG shipping. The more recent grant of non-FTA export permits in respect of six U.S. projects representing around 70 million tons of LNG per year raises the prospect of significant additional volumes being exported out of the U.S., the vast majority of which would be expected to be transported on an LNG carrier.

The reduced rate of growth in LNG demand in the U.S. has been offset by increased demand for LNG in other nations, especially non-OECD countries. China, India and Latin America all represent significant areas of increasing demand and future growth prospects. China has significant shale gas reserves of its own however the economics of extracting this remain unclear. Many of the known reserves are at great depth which has the potential to constrain the economics of extraction, at least in the near term. Demand from two important and established OECD LNG importers, Japan and South Korea also has the potential to increase further over time following decisions in these respective countries to reduce the future role of nuclear in their energy mix. Additionally, due to recent developments in Ukraine, Europe is once again under pressure to reduce its dependence on piped gas from Russia. This has the potential to be a positive development for LNG demand.

Liquefied Natural Gas

Overview

The need to transport natural gas over long distances across oceans led to the development of the international LNG trade. The first shipments were made on a trial basis in 1959 between the United States and the United Kingdom, while 1964 saw the start of the first commercial-scale LNG project to ship LNG from Algeria to the United Kingdom. LNG shipping provides a cost-effective and safe means for transporting natural gas overseas. The LNG is transported overseas in specially built tanks on double-hulled ships to a receiving terminal, where it is offloaded and stored in heavily insulated tanks. In regasification facilities at the receiving terminal, the LNG is returned to its gaseous state (or regasified) and then carried by pipeline for distribution to natural gas customers.

The LNG supply chain involves the following components:

Gas Field Production and Pipeline: Natural gas is produced and transported via pipeline to natural gas liquefaction facilities located along the coast of the producing country. The advent of floating liquefaction will, in some cases, result in the gas being transported to a marine based liquefaction facility.

Liquefaction Plant and Storage: Natural gas is cooled to a temperature of minus 260 degrees Fahrenheit, transforming the gas into a liquid, which reduces its volume to approximately 1/600th of its volume in a gaseous state. The reduced volume facilitates economical storage and transportation by ship over long distances, enabling countries with limited natural gas reserves or limited access to long-distance transmission pipelines to meet their demand for natural gas.

Shipping: LNG is loaded onto specially designed, double-hulled LNG carriers and transported overseas from the liquefaction facility to the receiving terminal.

Regasification: At the regasification facility (either onshore or aboard specialized LNG carriers), the LNG is returned to its gaseous state, or regasified.

Storage, Distribution and Marketing: Once regasified, the natural gas is stored in specially designed facilities or transported to natural gas consumers and end-use markets via pipelines.

The basic costs of producing, liquefying, transporting and regasifying LNG are much higher than in an equivalent oil supply chain. This high unit cost of supply has, in the recent past, led to the pursuit of ever-larger land based facilities in order to achieve improved economies of scale. In some cases, even these large projects have cost substantially more than anticipated and this has resulted in increasingly detailed research into the viability of both large and small scale floating liquefaction. Results of these studies carried out by both oil and gas majors, as well as independents, including Golar, support both the technical and economic feasibility of a floating liquefaction solution across a spectrum of project sizes. Previously uneconomic pockets of gas can now be monetized, which will add to reserves and is expected to add to the long term attractiveness of gas.

According to Poten and Partners ("Poten"), LNG liquefaction delivered to market was 103 million tonnes per annum in 2000. This increased to 240 million tonnes by 2011. An unusually large number of unscheduled plant disruptions along with feedgas limitations prevented many export facilities from producing at, or in some cases, even near their nameplate capacity in 2012. This resulted in the 2012 global LNG trade dropping for the first time since 1980. Data from Poten indicates a further reduction in LNG liquefaction to 235 million tonnes in 2013. Although there were small reductions to production across a number of countries, most of the 2013 decline was due to Egypt's lack of feedgas and a gas-starved domestic market, Nigeria LNG's gas supply force majeure and Atlantic LNG's scheduled maintenance. Poten indicate that liquefaction capacity is however expected to resume its growth trajectory over the coming years with approximately 117 million tonnes of capacity currently under construction and approximately 72 million tonnes scheduled to deliver between now and 2017. By 2020, Poten forecast long-term global LNG supply reaching approximately 360 million tonnes, an approximately 53% increase over 2013.

The World LNG Carrier Fleet

As of the end of March 2014, the world LNG carrier fleet consisted of 397 LNG carriers (including 16 FSRUs and 17 vessels less than 18,000m³). By the end of March 2014, there were orders for 124 new LNG carriers (including 11 FSRUs), the majority of which will be delivered between now and 2016.

The order book has now defined the next generation of tradeable tonnage in regards to size and propulsion. The current "standard" size for LNG carriers is approximately 165,000 cbm, up from 125,000 cbm during the 1970s, while propulsion preference has shifted from a steam turbine to the more efficient Dual/Trifuel Diesel Electric (D/TFDE).

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.

Of the vessels currently trading and on order, approximately 74% employ the membrane containment system, 24% employ the Moss system and the remaining 2% employ other systems. Most newbuilds (89%) on order employ the membrane containment system, because it most efficiently utilizes the entire volume of a ship's hull. In general, the construction period for an LNG carrier is approximately 28-34 months.

Propulsion systems also differ. Historically most ships were built with steam turbine propulsion whereas most current newbuilds have been ordered with more efficient tri-fuel diesel electric engines. Most LNG carriers can use the natural boil off of gas from LNG to power the vessel.

Seasonality

Historically, LNG trade, and therefore charter rates, increased in the winter months and eased in the summer months as demand for LNG in the Northern Hemisphere rose in colder weather and fell in warmer weather. In general, the tanker industry including the LNG vessel industry, has become less dependent on the seasonal transport of LNG than a decade ago. The advent of FSRUs has opened up new markets and uses for LNG, spreading consumption more evenly over the year. There is a higher seasonal demand during the summer months due to energy requirements for air conditioning in some markets or reduced availability of hydro power in others and a pronounced higher seasonal demand during the winter months for heating in other markets.

Floating LNG Regasification

Floating LNG Storage and Regasification Vessels

The FSRU regasification process involves the vaporization of LNG and injection of the natural gas directly into a pipeline. In order to regasify LNG, FSRUs are equipped with vaporizer systems that can operate in the open-loop mode, the closed-loop mode or in both modes. In the open-loop mode, seawater is pumped through the system to provide the heat necessary to convert the LNG to the vapor phase. In the closed-loop system, a natural gas-fired boiler is used to heat water circulated in a closed-loop through the vaporizer and a steam heater to convert the LNG to the vapor phase. In general, FSRUs can be divided into four subcategories:

- FSRUs that are permanently located offshore;
- FSRUs that are permanently near shore and attached to a jetty (with LNG transfer being either directly ship to ship or over a jetty);
- shuttle carriers that regasify and discharge their cargos offshore (sometimes referred to as energy bridge); and
- shuttle carriers that regasify and discharge their cargos alongside.

Golar's and our business model to date has been focused on FSRUs that are permanently offshore or near shore and provide continuous regasification service.

Demand for Floating LNG Regasification Facilities

The long-term outlook for global natural gas supply and demand has stimulated growth in LNG production and trade, which is expected to drive a necessary expansion of regasification infrastructure. While worldwide regasification exceeds worldwide liquefaction capacity, a large portion of the existing global regasification capacity is concentrated in a few markets such as Japan, Korea and the U.S. Gulf Coast. There remains a significant demand for regasification infrastructure in growing economies in Asia, Middle-East and Central/South America. We believe that the advantages of FSRUs compared to onshore facilities make them highly competitive in these markets. In the Middle East, Caribbean and South America almost all new regasification projects use an FSRU. FSRUs are also beginning to penetrate Asian markets led by our *NR Satu* in Jakarta, Indonesia and a variety of projects in India and South East Asia.

Floating LNG regasification projects first emerged as a solution to the difficulties and protracted process of obtaining permits to build shore-based LNG reception facilities (especially along the North American coasts). Due to their offshore location, floating facilities are less likely than onshore facilities to be met with resistance in local communities, which is especially important in the case of a facility that is intended to serve a highly populated area where there is a high demand for natural gas. As a result, it is typically easier and faster for FSRUs to obtain necessary permits than for comparable onshore facilities. More recently, cost and time have become the main drivers behind the growing interest in the various types of floating LNG regasification projects. FSRU projects can typically be completed in less time (two to three years compared to four or more years for land based projects) and at a significantly lower cost (20 to 50% less) than comparably sized land based alternatives.

In addition, FSRUs offer a more flexible solution than land based terminals. They can generally be used as an LNG carrier, a regasification shuttle vessel or permanently moored as an FSRU. FSRUs can be used on a seasonal basis, as a short-term (one to two years) regasification solution or as a long-term solution for up to 20 years. FSRUs offer a fast track regasification solution for markets that need immediate access to LNG supply. FSRUs can be utilized as bridging solutions until a land-based terminal is constructed. In this way, FSRUs are both a replacement for and complement to land-based regasification alternatives.

Floating LNG Regasification Vessel Fleet Size and Ownership

Compared to onshore terminals, the floating LNG regasification industry is fairly young. There are only a limited number of companies, including Golar as well as Exmar, Excelerate Energy, and Hoegh LNG that are operating FSRU terminals for LNG importers around the world. Golar was the first company to enter into an agreement for the long-term employment of an FSRU based on the conversion of an existing LNG carrier.

As of April 4, 2014, there are 17 FSRUs in existence with an additional ten FSRUs under construction.

FSRUs can have some potential disadvantages. While FSRUs can have comparable ability to offload cargo from LNG carriers relative to land based terminals, land based terminals typically have greater storage capacity which can facilitate faster cargo offload in a situation when storage tanks are partially full. Land based terminals are also potentially better suited for large gas send out capacity requirements in excess of the capacity of the largest FSRUs. However, even these disadvantages can be mitigated by adding a Floating Storage Unit (FSU) or another FSRU to create more storage and regasification capacity. Recently, the market has begun to see FSRU projects under development that involve more than one regasification and storage vessel.

Competition — LNG Carriers and FSRUs

As the FSRU market continues to grow and mature new competitors are entering the market. In addition to Hoegh LNG, Excelerate and Golar, BW Gas and MOL have recently ordered FSRUs. The rapid growth of the FSRU market is giving owners the confidence to place orders for speculative regasification tonnage. The LNG carrier market has grown significantly and there have been new entrants. The expansion and growth of the FSRU and LNG carrier markets has led to more competition for mid- and long-term LNG charters. Competition for these long-term 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, LNG carriers and most new FSRU's may operate in the emerging LNG carrier spot market that covers short-term charters of one year or less.

Together with Golar, we believe that we are one of the world's largest independent LNG carrier and FSRU owner and operators. We compete with other independent shipping companies who also own and operate LNG carriers and FSRUs.

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 have in the recent past contracted for the construction of new LNG carriers. National gas and shipping companies also have large fleets of LNG vessels that have expanded and will likely continue to expand. These include Malaysian International Shipping Company, or MISC, National Gas Shipping Company located in Abu Dhabi and Qatar Gas Transport Company, or Nakilat.

Our Fleet and Customers

Our current fleet consists of five FSRUs and four LNG carriers. We intend to leverage our relationship with Golar to make additional accretive acquisitions of FSRUs, LNG carriers and potentially, floating liquefied natural gas vessels (or FLNGVs), with long-term charters from Golar and third parties.

FSRUs

The following table provides information about the five FSRUs in our current fleet. Unless otherwise indicated, we hold a 100% economic interest in the vessels.

FSRU Vessel	Capacity (cbm)	Offtake Capacity (Bcf/d)	Year of Delivery	Year of FSRU Retrofitting	Current Charter Commencement	Charterer	Charter Expiration	Charter Extension Option Periods
<i>Golar Spirit</i>	128,000	0.25	1981	2007	July 2008	Petrobras	2018	Three years plus two years
<i>Golar Winter</i>	138,000	0.50	2004	2008	September 2009	Petrobras	2024	(1) none
<i>Golar Freeze</i>	125,000	0.48	1977	2010	May 2010	DUSUP	2020	Terms extending up to 2025(2)
<i>NR Satu</i>	(3) 125,000	0.50	1977	2012	May 2012	PTNR	2022	2025
<i>Golar Igloo</i>	(4) 170,000	0.64	2014		March 2014	KNPC	2018	none
Total Capacity	<u>686,000</u>	<u>2.37</u>						

- (1) The charter initially had a term of 10 years, expiring in 2019. However, in return for certain vessel modifications made at the request of Petrobras the charter was extended by a further five years to 2024. These modifications were completed in August 2013.
- (2) DUSUP has the option to extend the charter for two extension periods of two years and two years. DUSUP has an option to extend the initial term or either of the extension periods by one year.
- (3) We hold all of the voting stock and control all of the economic interests in PTGI, the company that owns and operates the *NR Satu*, pursuant to a Shareholder's Agreement with the other shareholder of PTGI, PT Pesona. PT Pesona holds the remaining 51% interest in the issued share capital of PTGI.
- (4) We acquired the *Golar Igloo* in March 2014.

Golar Spirit. The *Golar Spirit* is an FSRU that was retrofitted in 2007 from an LNG carrier built in 1981. The *Golar Spirit* utilizes a closed-loop regasification system. The *Golar Spirit* is operating under a time charter to Petrobras. Petrobras is the largest energy company in Brazil with an integrated structure consisting of oil and oil by-product exploration, production, refining, marketing, and transportation. Petrobras currently operates the *Golar Spirit* in northeastern Brazil at the port of Pecem, where she is moored at a jetty in sheltered waters behind a breakwater, delivering regasified LNG through a hard arm connection directly into a pipeline that services base load power generating assets. The *Golar Spirit* has the ability to operate as a traditional LNG carrier. Given that the *Golar Spirit* is principally operated in a stationary location and given the non-corrosive nature of LNG, we believe that her useful post-retrofit service life will be extended by ten years in excess of her initial 40-year useful life.

Golar Winter. The *Golar Winter* is an FSRU that was retrofitted in 2008 from an LNG carrier built in 2004. The *Golar Winter* is currently operating under a time charter to Petrobras. In August 2013, we completed the modifications to the *Golar Winter* in return for an increase in the charter rate and an extension in the contract term by five years. The *Golar Winter* utilizes a regasification system able to operate in both open- and closed-loop modes. From the time that she commenced service as an FSRU, the *Golar Winter* was operated at an island jetty in Guanabara Bay outside Rio de Janeiro where she was moored at a jetty in sheltered waters behind a breakwater, delivering regasified LNG through a hard arm connection directly into a pipeline that services base load power generating assets. Following the completion of her modifications in August 2013, Petrobras moved the *Golar Winter* from Rio de Janeiro to Bahia. The *Golar Winter* is employed by Petrobras as an FSRU to service peak load power requirements.

Golar Freeze. The *Golar Freeze* is an FSRU that was retrofitted in 2010 from an LNG carrier built in 1977. The *Golar Freeze* is currently operating as an FSRU under a time charter with DUSUP. DUSUP is the exclusive purchaser of natural gas in Dubai. The *Golar Freeze* is permanently moored alongside a purpose built jetty within the existing Jebel Ali port. The *Golar Freeze* is capable of storing and delivering regasified LNG to DUSUP for further delivery into the Dubai gas network. Given that the *Golar Freeze* is principally operated in a stationary location and given the non-corrosive nature of LNG, we believe that her useful post-retrofit service life will be extended by ten years in excess of its initial 40-year useful life.

NR Satu. The *NR Satu* is an FSRU that was retrofitted in 2012 from an LNG carrier built in 1977. The *NR Satu* is currently operating under a time charter with PTNR. PTNR is a joint venture company that is 60% owned by Pertamina and 40% owned by PT Perusahaan Gas Negara, an unaffiliated Indonesian company engaged in the transport and distribution of natural gas in Indonesia. The *NR Satu* is permanently moored alongside a purpose built mooring facility. Given that the *NR Satu* is principally operated in a stationary location and given the non-corrosive nature of LNG, we believe that her useful post-retrofit service life will be 20 years.

Golar Igloo. The *Golar Igloo* was delivered to Golar in February 2014. It is currently on a time charter to KNPC that expires in 2018. KNPC is the national oil refining company of Kuwait. We acquired the *Golar Igloo* in March 2014. Under the time charter, KNPC will use the *Golar Igloo* as an FSRU for nine months each year and will be moored at a jetty at the Old South Pier at the Mina Al Ahmadi Refinery. The *Golar Igloo* has the ability to operate as a traditional LNG carrier and we plan to utilize her as a traditional LNG carrier for the three months that she is not operating as an FSRU.

LNG Carriers

The following table provides additional information about the four LNG carriers in our current fleet. Unless otherwise indicated, we hold a 100% economic interest in the vessels.

LNG Carrier		Capacity (cbm)	Year of Delivery	Charterer	Current Charter Expiration	Charter Extension Option Periods
<i>Golar Mazo</i>	(1)	135,000	2000	Pertamina	2017	Five years plus five years (2)
<i>Methane Princess</i>		138,000	2003	BG Group	2024	Five years plus five years
<i>Golar Grand</i>		145,700	2006	BG Group	2015	(3) 2018
<i>Golar Maria</i>		145,700	2006	Eni S.p.A.	2017	none
Total Capacity		<u>564,400</u>				

(1) We own a 60% interest in the *Golar Mazo*, and Chinese Petroleum Corporation holds the remaining 40% interest.

(2) In addition, Pertamina has the right to one additional short-term extension of 2 to 12 months following either the initial period of the charter or an extension period.

(3) In the event BG Group does not exercise their option to extend its charter on the *Golar Grand* beyond 2015, we have an option to require Golar to charter the vessel through to October 2017.

As of March 31, 2014, our LNG carriers had an average age of 10 years, compared to the world LNG carrier fleet average age of approximately 12 years. LNG carriers are generally expected to have a lifespan of approximately 40 years. The *Golar Mazo* has a Moss containment system, while the *Methane Princess*, *Golar Grand* and *Golar Maria* have membrane-type cargo containment systems. Our charterers are able to use our LNG carriers worldwide or to sublet the vessels to third parties.

Golar Mazo. The *Golar Mazo* is an LNG carrier built in 2000 that is currently operating under a time charter that expires in 2017 with Pertamina. Founded in 1960, Pertamina is the state-owned oil and gas company in Indonesia and one of the world's largest producers and exporters of LNG. We own a 60% interest in this vessel and Chinese Petroleum Corporation owns the remaining 40%.

Methane Princess. The *Methane Princess* is an LNG carrier built in 2003 that is currently operating under a time charter that expires in 2024 with BG Group. BG Group engages in exploration and production of gas and oil reserves, export, shipping and import of LNG, pipeline transmission and distribution of gas, and various gas-powered electricity generation projects.

Golar Grand. The *Golar Grand* is an LNG carrier built in 2006 that is currently operating under a medium-term charter with BG Group with an initial term expiring in 2015. In the event BG Group does not exercise its option to extend the initial term by an additional three years, we have an option to require Golar to charter-in the vessel until October 2017 at approximately 75% of the hire rate that would have been payable by BG Group.

Golar Maria. The *Golar Maria* is an LNG carrier built in 2006 that is currently operating under a time charter that expires in 2017 with LNG Shipping S.p.A. LNG Shipping S.p.A. is a wholly-owned subsidiary of Eni S.p.A., an integrated energy company operating in the sectors of oil and gas exploration & production, international gas transportation and marketing, power generation, refining and marketing, chemicals and oilfield services. Eni is partly owned by the Italian government.

Charters

The services of our vessels are provided to their charterers under time charter party agreements (or TCPs), or, in the case of the *Golar Spirit* and the *Golar Winter*, under separate TCPs and operation and services agreements (or OSAs). The TCPs and the OSAs for the *Golar Winter* and the *Golar Spirit* are interdependent and when combined have the same effect as the TCPs for our other vessels. We refer to the contracts under which we provide the services of our vessels to their charterers as our “time charters” or our “charters.” Time charters provide for the use of the vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel owner provides crewing and other services related to the vessel’s operation, the cost of which is included in the daily rate, and the customer is responsible for substantially all of the vessel voyage costs (including fuel, port and canal fees and LNG boil-off).

The following discussion describes the material terms of our charters.

Initial Term; Extensions

Refer to the tables under “— Our Fleet and Customers” for details on the charter commencement, charter expiration and charter extension option periods for our vessels.

Hire Rate

“Hire rate” refers to the basic payment from the customer for use of the vessel.

Under our charters, hire is payable monthly, in advance, except for the *Golar Igloo*, where hire is received monthly in arrears. Under all of our charters, hire is payable in U.S. Dollars, except for the operating cost component for the *Golar Spirit* and the *Golar Winter*, which is payable in Brazilian Reais.

Generally, under our existing charters, the hire rate is primarily made up of two components (however, as of April 25, 2014, three of our charters were on an all-inclusive daily fixed rate):

- Capital cost component - primarily relates to the cost of the vessel and is structured to meet that cost and provide a return on investor capital. The capital cost component is generally constant for the duration of the initial term except for the *Golar Spirit* and the *Golar Winter*.
- Operating cost component - intended to compensate us for vessel operating expenses including management fees. This component is generally established at the beginning of the charter and typically escalates annually on a fixed percentage or fluctuates annually based on changes in a specified consumer price index.

The below table summarizes the key details of the hire rates for each vessel:

Vessel	Capital cost component	Operating cost component	Other	Changes to hire rate in the extension period (if applicable)
<i>Golar Spirit</i>	Increases on a bi-annual basis based on a cost of living index.	Fluctuates annually based on changes to a specified cost of living index and U.S. dollar foreign exchange index.	Drydocking costs are included as part of the capital cost component.	The hire rate will be reduced by approximately 5%.
<i>Golar Winter</i>	Increases on a bi-annual basis based on a cost of living index.	Fluctuates annually based on changes to a specified cost of living index and U.S. dollar foreign exchange index.	Drydocking costs are included as part of the capital cost component.	
<i>Golar Freeze</i>	Fixed	Annual adjustment based on actual costs.		The hire rate will be reduced by 64% from the initial hire rate.
<i>NR Satu</i>	This also includes a mooring capital element.	Annual adjustment based on actual costs.	There is also a tax component (1).	The capital element will decrease 12% in 2023, then by a further 7% in 2024 and 2025.
<i>Golar Igloo</i>	The hire rate is an all-inclusive daily fixed rate.			
<i>Golar Mazo</i>	Fixed	Annual adjustment based on actual costs.	Reimbursement of costs relating to: i) Drydocking ii) Additional cost component (2)	
<i>Methane Princess</i>	Fixed	Increases by a fixed percentage per annum.		Reduces by approximately 28%.
<i>Golar Grand</i>	The hire rate is an all-inclusive daily fixed rate.			
<i>Golar Maria</i>	The hire rate is an all-inclusive daily fixed rate.			

- (1) *NR Satu*. The tax element shall be adjusted only when there is any change in Indonesian Tax Laws (including any changes in interpretation or implementation thereof) or any treaty to which Indonesia is party or the invalidity of any tax assumptions used in determining the tax element.
- (2) *Golar Mazo*. The additional cost component comprises of reimbursement for certain costs associated with certain modifications, improvements, alterations or replacements that are required pursuant to the charter, requested by Pertamina, or that are estimated to cost more than \$2 million and related to any financing we obtain at the request of Pertamina.

The hire rate payable for each of our vessels may be reduced if they do not perform to certain of their contractual specifications or if we are in breach of any of our representations and warranties in the charter.

Expenses

Under our charters, we are responsible for operating expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses as well as periodic drydocking costs. We are also directly responsible for providing all of these items and services. The charterer generally pays the voyage expenses, which include all expenses relating to particular voyages, including any bunker fuel expenses, LNG boil-off, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. For FSRUs, the charterer is responsible for providing, maintaining, repairing and operating certain facilities at the unloading port such as sufficient mooring infrastructure for LNG ships to be berthed alongside and a high pressure send-out pipeline. A majority of the vessel operating expenses we incur with respect to the operation of our vessels are charged to their charterers on a cost pass-through basis.

Off-hire

When a vessel is “off-hire” or not available for service, the charterer generally is not required to pay the hire rate and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of the time charter.

A vessel generally will be deemed off-hire if there is a specified time it is not available for the charterer’s use due to, among other things:

- operational deficiencies, drydocking for repairs, maintenance or inspection, equipment breakdowns, or delays due to accidents, crewing strikes, certain vessel detentions or similar problems; or
- our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

Under the charters for the *Golar Spirit*, the *Golar Winter* and the *NR Satu*, an off-hire allowance is provided for a certain number of hours of scheduled off-hire per year. Under the *Golar Freeze* charter, we are allowed a certain number of days to carry out periodic drydocking during which time the vessel will not be off-hire and therefore, we will continue to receive the hire rate during such period. Similarly, the *Golar Mazo* will not be considered to be off-hire for scheduled drydockings for a certain number of days in each three-year period. The number of days during which the *Golar Mazo* will not be considered to be off-hire is intended to correspond to the number of days that the *Golar Mazo* is expected to be off-hire for an ordinary, regularly scheduled drydocking.

During their retrofitting, the FSRUs, except for the *NR Satu*, were prepared for five years in service between drydockings. This is in line with the policy adopted by the industry for new LNG carriers. The *NR Satu* was prepared so it could remain in service for the duration of its charter with PTNR, including option periods, before its first drydocking as an FSRU. The FSRUs will benefit from the significantly reduced loads and wear and tear associated with remaining in sheltered waters for the majority of the terms of their charters. Our vessels are drydocked at least once during a five-year class cycle for inspection of the underwater parts and for general repairs.

Ship Management and Maintenance

Under our charters, we are responsible for the technical management of the vessels, including engagement and provision of qualified crews, maintaining the vessel, arranging supply of stores and equipment, periodic drydocking, cleaning and painting and ensuring compliance with applicable regulations, including licensing and certification requirements. Golar Management and certain other affiliates of Golar provide these management services to the vessels in our fleet through fleet management agreements with our vessel owning subsidiaries. Golar Wilhelmsen, a jointly controlled company that is jointly owned by Golar and Wilhelmsen Ship Management (Norway) AS, provides certain technical management services to our vessels through agreements with Golar Management.

We are focused on operating and maintaining our vessels 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 in operation, 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 (except in the case of the *Golar Mazo*, whose charter provides for an allowance for any regularly scheduled drydocking in a three-year period, provided that, subsequent to every two drydockings, the parties will meet to determine the allowance period for each of the two subsequent drydockings, and the *Golar Freeze*), we believe that the additional revenue earned from reduced off-hire periods outweighs the expense of the additional crew members or subcontractors.

Termination

Each charter terminates automatically upon loss of the vessel. Under certain circumstances, a charterer may terminate a charter (upon written notice). These circumstances include:

- the occurrence of specified events of default;
- requisition by any governmental authority;
- force majeure after a continuous and specified period or in the event that war or hostilities materially and adversely affect the operations of the applicable vessel; and
- specified extended periods of off-hire.

In addition, we are generally entitled to suspend performance (but with the continuing accrual to our benefit of hire payments and default interest) and terminate the charter if the customer defaults in its payment obligations.

Under the *Golar Spirit* and the *Golar Winter* charters, Petrobras has the right to terminate the *Golar Spirit* and the *Golar Winter* charters, after the fifth and tenth anniversary, respectively, of the commencement of the applicable charter without fault upon payment of a termination fee specified in the relevant charter. Six months' notice is required if Petrobras wishes to exercise its right to no fault termination under either of the charters.

Under the *Golar Freeze* charter, DUSUP has the right to terminate the charter without fault after the fifth anniversary of the commencement of the charter and by giving six months prior written notice and payment of a compensatory fee.

Under the *Golar Igloo* charter, we can offer a substitute FSRU for the remainder of the Regas Season at the same hire rate in the event the *Golar Igloo* cannot perform the service due to an extended force majeure.

Under the *Methane Princess* charter, upon a default by us, the charterer is also entitled to require the charter to be substituted by a bareboat charter between us and the charterers on terms specified in the charter.

Under the *Golar Mazo* charter, upon a default by us, the charterer is also entitled to take possession of the vessel and operate, maintain and insure it at the charterer's sole risk and expense.

A termination of any of our charters could have a material adverse effect on our business, results of operations and financial condition and could significantly reduce our ability to make distributions to our unitholders. However, in the event of a contract termination of any of our charters, we believe, based on current market conditions, that we would likely be able to re-charter any of our vessels at rates not significantly dissimilar to the charter rates under our existing charters without a significant impact to our net cash flow. We cannot guarantee this outcome.

Purchase Option

The *NR Satu* charter contains a provision that allows PTNR to purchase the vessel at any time, subject to agreeing to the commercial terms.

Classification, Inspection and Maintenance

Every large, commercial 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 and the applicable flag state.

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. With the exception of the *Golar Mazo*, which is certified by Lloyds Register, all other vessels in our current fleet are each certified by Det Norske Veritas. All of our vessels have been awarded International Safety Management ("ISM") certification and are currently "in class."

The ship manager carries out inspections of the ships on a regular basis; both at sea and while the vessels are in port, while Golar carries out inspection and ship audits to verify conformity with the manager's reports. The results of these inspections, which are conducted both in port and while 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 and improvement for our vessels and their systems.

Safety, Management of Ship Operations and Administration

Safety is our top operational priority. Our vessels are operated in a manner intended to protect the safety and health of our employees, the general public and the environment. We actively manage the risks inherent in our business and are committed to eliminating incidents that threaten safety, such as groundings, fires and collisions. We are also committed to reducing emissions and waste generation. We have established key performance indicators to facilitate regular monitoring of our operational performance. We set targets on an annual basis to drive continuous improvement, and we review performance indicators monthly to determine if remedial action is necessary to reach our targets. Golar's shore staff performs a full range of technical, commercial and business development services for us. This staff also provides administrative support to our operations in finance, accounting and human resources.

Through its affiliates, Golar assists us in managing our ship operations and maintaining a technical department to monitor and audit our ship manager operations. Our appointed ship manager, Golar Wilhelmsen Management AS (Golar Wilhelmsen), is working to the standard of International Standards Organization's (or ISO) 9001 and ISO 14001, and have through Det Norske Veritas, the Norwegian classification society, and Lloyds, obtained approval of their safety management systems as being in compliance with the International Safety Management Code (or ISM Code), on behalf of the appropriate Flag State for the vessels in our current fleet, which are flagged in the Marshall Islands or Liberia. Golar Wilhelmsen, established in 2010, received its ISO 9001 certification on April 7, 2011. Our vessels' safety management certificates are being maintained through ongoing internal audits performed by the manager and intermediate audits performed by Det Norske Veritas or Lloyds. To supplement our operational experience, Golar and its affiliates provide expertise in various functions critical to our operations. This affords an efficient and cost effective operation and, pursuant to administrative services agreements with certain affiliates of Golar, access to human resources, financial and other administrative functions. Critical ship management functions that will be provided by Golar Management through various of its offices around the world include:

- technical management, maintenance, dockings;
- crew management;
- procurement, purchasing, forwarding logistics;
- marine operations;
- vetting, oil major and terminal approvals;
- shipyard supervision;
- insurance; and
- financial services.

These functions are supported by onboard and onshore systems for maintenance, inventory, purchasing and budget management. In addition, Golar's day-to-day focus on cost control will be applied to our operations. To some extent, the uniform design of some of our vessels and the adoption of common equipment standards should also result in operational efficiencies, including with respect to crew training and vessel management, equipment operation and repair, and spare parts ordering.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters based upon price, customer relationships, operating expertise, professional reputation, and size, age and condition of the vessel.

Competition for providing FSRUs and LNG carriers for chartering purposes comes from a number of experienced shipping companies. Some of our competitors have significantly greater financial resources than we do and can operate larger fleets and may be able to offer better charter rates. An increasing number of marine transportation companies have entered the FSRU and LNG carrier sector, including many with strong reputations and extensive resources and experience. This increased competition may cause greater price competition for time charters. 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, the quality of LNG carrier users and the experience and reputation of the carrier operator. In addition, vessels may operate in the emerging LNG carrier spot market that covers short-term charters of one year or less during periods of increased competition due to an oversupply of LNG carriers.

Seasonality

Our vessels primarily operate under long-term charters and are not subject to the effect of seasonal variations in demand.

Crewing and Staff

As of December 31, 2013, Golar employed (directly and through ship managers) approximately 500 seagoing staff who serve on our vessels. Golar and its affiliates may employ additional seagoing staff to assist us as we grow. Certain affiliates of Golar, including Golar Management and Golar Wilhelmsen, provide commercial and technical management services, including all necessary crew-related services, to our subsidiaries pursuant to the fleet management agreements. Please read “Item 7—Major Unitholders and Related Party Transactions—Related Party Transactions—Fleet Management Agreements.” We regard attracting and retaining motivated seagoing personnel as a top priority. Like Golar, we offer our seafarers competitive employment packages and opportunities for personal and career development, which relates to a philosophy of promoting internally. The officers operating our vessels are engaged on individual employment contracts, while the ship managers have entered into Collective Bargaining Agreements that cover substantially all of the seamen that operate the vessels in our current fleet, which are flagged in the Marshall Islands, UK or Liberia. We believe our relationships with these labor unions are good. Our commitment to training is fundamental to the development of the highest caliber of seafarers for our marine operations. Golar’s cadet training approach is designed to balance academic learning with hands-on training at sea. Golar has relationships with training institutions in Croatia, India, Norway, Philippines, Indonesia and the United Kingdom. After receiving formal instruction at one of these institutions, our cadets’ training continues on board one of our vessels. We believe that high-quality crewing and training policies will play an increasingly important role in distinguishing the preferred larger and LNG-experienced independent shipping companies from those that are newcomers to LNG and lacking in-house experienced staff and established expertise on which to base their customer service and safety operations.

Risk of Loss, Insurance and Risk Management

The operation of any vessel, including FSRUs and LNG carriers, 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 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.

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 218 days. The number of deductible days varies from 14 days for the new ships to 30 days for the older ships, and 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 or FSRU 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.

The insurers providing the covers for Hull and Machinery, Hull and Cargo interests, Protection and Indemnity and Loss of Hire insurances have confirmed that they will consider the FSRUs as vessels for the purpose of providing insurance. For the FSRUs, we have also arranged an additional Comprehensive General Liability (or CGL) insurance. This type of insurance is common for offshore operations and is additional to the P&I insurance. Our cover under the CGL insurance is \$150 million per unit for the *Golar Spirit* and the *Golar Winter*, \$15 million for the *Golar Freeze* and \$50 million for the *NR Satu*.

We will use in our operations Golar's thorough risk management program that includes, among other things, computer-aided risk analysis tools, maintenance and assessment programs, a seafarers' competence training program, seafarers' workshops and membership in emergency response organizations. We expect to benefit from Golar's commitment to safety and environmental protection as certain of its subsidiaries assist us in managing our vessel operations. Golar Wilhelmsen, our ship manager, received its ISO 9001 certification in April 2011, and is certified in accordance with the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention on a fully integrated basis.

Environmental and Other Regulations

General

Governmental and international agencies extensively regulate the carriage, handling, storage and regasification of LNG. These regulations include international conventions and national, state and local laws and regulations in the countries where our vessels now, or in the future, will 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. In addition, any serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact, including the 2010 Deepwater Horizon oil spill in the Gulf of Mexico, could result in additional legislation or regulation that could negatively affect our profitability. 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 vessels, 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 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.

Golar Wilhelmsen is operating in compliance with the International Standards Organization (or ISO) Environmental Standard for the management of the significant environmental aspects associated with the ownership and operation of a fleet of LNG carriers. Golar Wilhelmsen received its ISO 9001 certification (quality management systems) in April 2011 and the ISO 14001 Environmental Standard in August 2012. This certification requires that we and Golar Wilhelmsen commit managerial resources to act on our environmental policy through an effective management system.

International Maritime Regulations of LNG Vessels

The IMO is the United Nations' agency that provides international regulations governing shipping and international maritime trade. The requirements contained in the ISM Code promulgated by the IMO, govern our operations. Among other requirements, 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 policy for safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and also describing procedures for responding to emergencies. Golar Wilhelmsen, our ship manager, holds a Document of Compliance under the ISM Code for operation of Gas Carriers that meets the standards set by the IMO.

Vessels that transport gas, including LNG carriers and FSRUs, are also subject to regulation under the International Gas Carrier Code (or the IGC Code) published by the IMO. The IGC Code 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 Code 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 Code. Non-compliance with the IGC Code 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. SOLAS provides rules for the construction of and equipment required for commercial vessels and includes regulations for safe operation. 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 the IMO. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

SOLAS and other IMO regulations concerning safety, including those relating to treaties on training of shipboard personnel, lifesaving appliances, radio equipment and the global maritime distress and safety system, are applicable to our operations. Non-compliance with these types of IMO regulations may subject us to increased liability or penalties, 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. For example, the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code are prohibited from trading in U.S. and European Union ports.

In the wake of increased worldwide security concerns, the IMO amended SOLAS and added the International Ship and Port Facility Security Code (or ISPS Code) as a new chapter to that convention. 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. Golar Wilhelmsen has developed Security Plans, appointed and trained Ship and Office Security Officers and all of our vessels have been certified to meet the ISPS Code. See "—Vessel Security Regulations" for a more detailed discussion about these requirements.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulation may have on our operations.

Air Emissions

The International Convention for the Prevention of Marine Pollution from Ships (or MARPOL), is the principal international convention negotiated by the IMO governing marine pollution prevention and response. MARPOL imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, sewage and air emissions. MARPOL 73/78 Annex VI "Regulations for the prevention of Air Pollution" (or Annex VI) entered into force on May 19, 2005, and applies to all ships, fixed and floating drilling rigs and other floating platforms. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts, emissions of volatile compounds from cargo tanks, incineration of specific substances, and prohibits deliberate emissions of ozone depleting substances. Annex VI also includes a global cap on sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. The certification requirements for Annex VI depend on size of the vessel and time of periodical classification survey. Ships weighing more than 400 gross tons and engaged in international voyages involving countries that have ratified the conventions, or ships flying the flag of those countries, are required to have an International Air Pollution Certificate (or an IAPP Certificate). Annex VI came into force in the United States on January 8, 2009 and has been amended a number of times. As of the current date, all our ships delivered or drydocked since May 19, 2005 have all been issued with IAPP Certificates.

In March 2006, the IMO amended Annex I to MARPOL, including a new regulation relating to oil fuel tank protection, which became effective August 1, 2007. The new regulation applies to various ships delivered on or after August 1, 2010. It includes requirements for the protected location of the fuel tanks, performance standards for accidental oil fuel outflow, a tank capacity limit and certain other maintenance, inspection and engineering standards. IMO regulations also require owners and operators of vessels to adopt Ship Oil Pollution Emergency Plans. Periodic training and drills for response personnel and for vessels and their crews are required.

On July 1, 2010, amendments proposed by the United States, Norway and other IMO member states to Annex VI to the MARPOL Convention took effect that require progressively stricter limitations on sulfur emissions from ships. In Emission Control Areas (or ECAs), limitations on sulfur emissions require that fuels contain no more than 1% sulfur. Beginning on January 1, 2012, fuel used to power ships may contain no more than 3.5% sulfur. This cap will then decrease progressively until it reaches 0.5% by January 1, 2020. The amendments all establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The European directive 2005/33/EU, which is effective from January 1, 2010, bans the use of fuel oils containing more than 0.1% sulfur by mass by any merchant vessel while at berth in any EU country. Our vessels have achieved compliance, where necessary, by being modified to burn gas in their boilers when alongside. Low sulfur marine diesel oil (or LSDO) has been purchased as the only fuel for the Diesel Generators. More specifically, the *Methane Princess* is trading world wide by the charterer and on this vessel the boilers have been converted to burn LSDO. The FSRUs are arranged for burning of gas only while in port, and have not had their boilers converted for burning of LSDO. The FSRUs (the *Golar Winter*, the *Golar Spirit*, the *Golar Freeze* and the *NR Satu*) are not likely to be traded to EU ports in the foreseeable future. The charterer of the *Golar Mazo* has selected not to perform the boiler conversion to burn LSDO. Under the TCP for this vessel the charterer will have to cover the costs for the LSDO conversion if he should choose to trade the vessel to an EU port. The *Golar Mazo* is engaged in carrying the charterer's LNG from Indonesia to Taiwan. In addition, we are in the process of modifying the boilers on some of our vessels to also allow operation on LSDO.

Additionally, more stringent emission standards could apply in coastal areas designated as ECAs, such as the United States and Canadian coastal areas designated by the IMO's Marine Environment Protection Committee, as discussed in "—U.S. Clean Air Act" below. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, and from January 1, 2014, the United States Caribbean Sea. From January 1, 2014, the maximum fuel sulfur limit for both marine gas oil and marine diesel oil will be 0.1%.

U.S. air emissions standards are now equivalent to these amended Annex VI requirements. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems. Because our vessels are largely powered by means other than fuel oil we do not anticipate that any emission limits that may be promulgated will require us to incur any material costs for the operation of our vessels but that possibility cannot be eliminated.

Ballast Water Management Convention

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, 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 concentration limits. The BWM Convention will not become effective 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. The Convention has not yet entered into force because a sufficient number of states have failed to adopt it. As referenced below, the United States Coast Guard issued new ballast water management rules on March 23, 2012. Under the requirements of the BWM Convention for units with ballast water capacity more than 5000 cubic meters that were constructed in 2011 or before, ballast water management exchange or treatment will be accepted until 2016. From 2016 (or not later than the first intermediate or renewal survey after 2016), only ballast water treatment will be accepted by the BWM Convention. Installation of ballast water treatment systems will be needed on all our LNG carriers. As long as our FSRUs are operating as FSRUs and kept stationary they will not need installation of ballast water treatment systems. However, under their time charter party ("TCP"), *Golar Spirit* and *Golar Winter* may be required to trade as LNG carriers. If the respective vessel charterers should choose to trade the *Golar Spirit* or *Golar Winter* internationally as LNG carriers, the vessels will have to be equipped with ballast water treatment systems and the cost of the related modifications will be split between the charterer and owner. Given that ballast water treatment technologies are still at the developmental stage, at this time the additional costs of complying with these rules are unclear, but current estimates suggest that additional costs will likely be in the range of between \$2 million and \$4 million.

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 Bunker Convention provides a liability, compensation and compulsory insurance system for the victims of oil pollution damage caused by spills of bunker oil. The Bunker Convention makes 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 Bunker 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 coverage 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 the IMO meetings.

United States Environmental Regulation of LNG Vessels

Our vessels operating in U.S. waters now or in the future will be subject to various federal, state and local laws and regulations relating to protection of the environment. In some cases, these laws and regulations require us to obtain governmental permits and authorizations before we may conduct certain activities. These environmental laws and regulations may impose substantial penalties for noncompliance and substantial liabilities for pollution. Failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties. As with the industry generally, our operations will entail risks in these areas, and compliance with these laws and regulations, which may be subject to frequent revisions and reinterpretation, increases our overall cost of business.

Oil Pollution Act and CERCLA

The U.S. Oil Pollution Act of 1990 (or OPA 90) established an extensive regulatory and liability regime for environmental protection and clean-up of oil spills. OPA 90 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. CERCLA applies to the discharge of hazardous substances whether on land or at sea. While OPA 90 and CERCLA would not apply to the discharge of LNG, they may affect us because we carry oil as fuel and lubricants for our engines, and the discharge of these could cause an environmental hazard. Under OPA 90, 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.

Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability to the greater of \$2,000 per gross ton or \$17.088 million for any double-hull tanker that is over 3,000 gross tons (subject to possible adjustment for inflation) (relevant to ours and Golar's LNG carriers). These limits of liability do not apply, however, 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 willful misconduct. These limits likewise do not apply if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with the substance removal activities. OPA 90 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 their own legislation, have not yet issued implementing regulations defining shipowners' responsibilities under these laws.

CERCLA, which also applies to owners and operators of vessels, contains a similar liability regime and provides for clean-up, removal and natural resource damages for releases of "hazardous substances." Liability under CERCLA is limited to the greater of \$300 per gross ton or \$0.5 million for each release from vessels not carrying hazardous substances as cargo or residue, and \$300 per gross ton or \$5 million for each release from vessels carrying hazardous substances as cargo or residue. As with OPA 90, 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 willful 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 90 and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We believe that we are in substantial compliance with OPA 90, CERCLA and all applicable state regulations in the ports where our vessels call.

OPA 90 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 90/CERCLA. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA 90 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 90/CERCLA. Each of our ship owning 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 (or COFR), 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 COFRs from the U.S. Coast Guard for each of our vessels that is required to have one.

In response to the BP Deepwater Horizon oil spill, the U.S. Congress is currently considering a number of bills that could potentially increase or even eliminate the limits of liability under OPA 90. For example, effective October 22, 2012, the U.S. Bureau of Safety and Environmental Enforcement (BSEE) implemented a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems and blowout prevention practices. Compliance with any new requirements of OPA 90 may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulation applicable to the operation of our vessels that may be implemented in the future as a result of the 2010 BP Deepwater Horizon oil spill in the Gulf of Mexico could adversely affect our business and ability to make distributions to our unitholders.

Clean Water Act

The United States Clean Water Act (or CWA) prohibits the discharge of oil or hazardous substances in United States navigable waters unless authorized by a permit or exemption, and imposes strict liability in the form of penalties for unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. The EPA has enacted rules governing the regulation of ballast water discharges and other discharges incidental to the normal operation of vessels within U.S. waters. In March 2013, EPA released a final permit covering vessel discharges under the CWA that for the first time sets numeric effluent limits for ballast water discharges from large commercial vessels. The new Vessel General Permit (or VGP) replaced the prior VGP as of December 2013. The new VGP covers vessel discharges in all U.S. states and territories, including those jurisdictions that implement other aspects of the National Pollutant Discharge Elimination System (or NPDES) program. The permit covers owners and operators of non-recreational large vessels (79 feet and over) operating in a capacity as a means of transportation, such as cruise ships, ferries, barges, mobile offshore drilling units, oil tankers or petroleum tankers, bulk carriers, cargo ships, container ships, other cargo freighters, refrigerant ships, research vessels, and emergency response vessels.

The most significant change in the new VGP is the inclusion of numeric effluent limits for ballast water expressed as the maximum concentration of living organisms in ballast water, as opposed to the prior non-numeric requirements. The permit also contains maximum discharge limitations for biocides and residuals. The numeric effluent limits in the new VGP will not apply to all vessels. Those that will be required to comply with the numeric limits will do so under a staggered implementation schedule. Certain existing vessels must achieve the numeric effluent limits for ballast water by the first drydocking after January 1, 2014 or January 1, 2016, depending on the vessel size. “New build” vessels are subject to the numeric limits upon the effective date of the new permit. Vessels that have deferred deadlines for meeting the numeric standards must meet BMPs, which are substantially similar to past requirements.

Vessels that are subject to the numeric effluent limits for ballast water can meet these limits in four ways: (1) treat ballast water prior to discharge; (2) transfer the ship’s ballast water to a NPDES permitted third party treatment facility; (3) use treated municipal/potable water as ballast water; or (4) not discharge ballast water while within the territorial waters of the United States. As with the prior permit, vessels that are enrolled in and meet the requirements for the Coast Guard’s Shipboard Technology Evaluation Program would be deemed in compliance with the numeric limitations. The VGP includes multiple mandatory practices for all vessels equipped with ballast water tanks, such as avoiding the discharge or uptake of ballast water in a manner that could impact sensitive areas (such as marine sanctuaries, preserves, parks, shellfish beds, or coral reefs), routine cleaning of ballast water tanks, using ballast water pumps in lieu of gravity draining, and minimizing ballast water discharges to the extent practicable. Additional changes to the new VGP include numeric limits for exhaust gas scrubber effluent, and monitoring requirements for some larger vessels for graywater, exhaust gas scrubber effluent, and ballast water.

In addition to the requirements in the new VGP, vessel owners and operators must meet twenty-five sets of state-specific requirements under the CWA’s § 401 certification process. Because the CWA § 401 process allows tribes and states to impose their own requirements for vessels operating within their waters, vessels operating in multiple jurisdictions could face potentially conflicting conditions specific to each jurisdiction that they travel through.

The new VGP includes a tiered requirement for obtaining coverage based on the size of the vessel and the amount of ballast water carried. Vessels that are 300 gross tons or larger and have the capacity to carry more than eight cubic meters of ballast water must submit notices of intent (NOIs) to receive permit coverage between six and nine months after the permit’s issuance date. Vessels that do not need to submit NOIs are automatically authorized under the permit.

The National Invasive Species Act (or NISA) was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. NISA established a ballast water management program for ships entering U.S. waters. Under NISA, mid-ocean ballast water exchange is voluntary, except for ships heading to the Great Lakes, Hudson Bay, or vessels engaged in the foreign export of Alaskan North Slope crude oil. However, NISA’s exporting and record-keeping requirements are mandatory for vessels bound for any port in the United States. Although ballast water exchange is the primary means of compliance with the act’s guidelines, compliance can also be achieved through the retention of ballast water onboard the ship, or the use of environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. If the mid-ocean ballast exchange is made mandatory throughout the United States, or if water treatment requirements or options are instituted, the costs of compliance could increase for ocean carriers.

As of June 21, 2012, the U.S. Coast Guard implemented revised regulations on ballast water management by establishing standards for the allowable concentration of living organisms in ballast water discharged in U.S. waters. The revised regulations adopt ballast water discharge standards for vessels calling on U.S. ports and intending to discharge ballast water equivalent to those set in IMO’s BWM Convention. The final rule requires that ballast water discharge have no more than 10 living organisms per milliliter for organisms between 10 and 50 micrometers in size. For organisms larger than 50 micrometers, the discharge can have 10 living organisms per cubic meter of discharge. New ships constructed on or after December 1, 2012 must comply with these standards and some existing ships must comply with these standards and some existing ships must comply by their first dry dock after January 1, 2014. The Coast Guard will review the practicability of implementing a more stringent ballast water discharge standard and publish the results no later than January 1, 2016.

Compliance with these regulations will entail additional costs and other measures that may be significant.

Under our existing charter agreements, the costs associated with the installation of ballast water treatment systems for the *Golar Mazo* would be allocated to our charterer if required exclusively by U.S. law. The costs associated with the installations for our other three LNG carriers, the *Golar Winter* and the *Golar Spirit* (if required to trade as LNG carriers under their TCP), if needed, would be, at least in part, our responsibility. Compliance with these regulations will entail additional costs, but current estimates suggest that additional costs are not likely to be material.

Clean Air Act

The U.S. Clean Air Act of 1970, as amended (or the CAA) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas and emission standards for so-called “Category 3” marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. On April 30, 2010, the EPA promulgated final emission standards for Category 3 marine diesel engines equivalent to those adopted in the amendments to Annex VI to MARPOL. The emission standards apply in two stages: near-term standards for newly-built engines apply from 2011, and long-term standards requiring an 80% reduction in nitrogen dioxides (or NOx) will apply from 2016. Compliance with these standards may cause us to incur costs to install control equipment on our vessels in the future.

Regulation of Greenhouse Gas Emissions

In February 2005, 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 transport are not subject to the Kyoto Protocol. In December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. In addition, in December 2011, the Conference of the Parties to the United Nations Convention on Climate Change adopted the Durban Platform which calls for a process to develop binding emissions limitations on both developed and developing countries under the United Nations Framework Convention on Climate Change applicable to all Parties. 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 marine vessels and in January 2012, the European Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships.

On January 1, 2013, the IMO's approved mandatory measures to reduce emissions of greenhouse gases from international shipping went into force. These include amendments to MARPOL Annex VI Regulations for the prevention of air pollution from ships adding a new Chapter 4 to Annex VI on Regulations on energy efficiency requiring the Energy Efficiency Design Index (EEDI), for new ships, and the Ship Energy Efficiency Management Plan (SEEMP) for all ships. These measures entered into force on January 1, 2013. Other amendments to Annex VI add new definitions and requirements for survey and certification, including the format for the International Energy Efficiency Certificate. The regulations apply to all ships of 400 gross tonnage and above. These new rules will likely affect the operations of vessels that are registered in countries that are signatories to MARPOL Annex VI or vessels that call upon ports located within such countries. The implementation of the EEDI and SEEMP standards could cause us to incur additional compliance costs. The IMO is also considering the implementation of a market-based mechanism for greenhouse gas emissions from ships, but it is impossible to predict the likelihood that such a standard might be adopted or its potential impact on our operations at this time.

In the United States, the EPA has issued a final finding that greenhouse gases threaten public health and safety, and has promulgated regulations that regulate the emission of greenhouse gases. In 2009 and 2010, EPA adopted greenhouse reporting requirements for various onshore facilities, and also adopted a rule in 2011 imposing control technology requirements on certain stationary sources subject to the federal Clean Air Act. The EPA may decide in the future to regulate greenhouse gas emissions from ships and has already been petitioned by the California Attorney General to regulate greenhouse gas emissions from ocean-going vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may follow, including climate change initiatives that have been considered in the U.S. Congress. Any passage of climate control legislation or other regulatory initiatives by the IMO, the European Union, the United States, or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time. In addition, even without such regulation, our business may be indirectly affected to the extent that climate change results in sea level changes or more intense weather events.

Dubai Environmental Regulations

The *Golar Freeze* is now in Dubai waters and is subject to various regulations relating to protection of the environment. These laws and regulations require us to obtain governmental permits and authorizations before we may conduct certain activities. DUSUP, our charter party, has the contractual responsibility to obtain all permits necessary to operate the *Golar Freeze* in Dubai, and it already has done so. However, it is still our responsibility to meet the requirements of the environmental laws. To the extent that the local environmental laws and regulations of Dubai become more stringent over time, it is DUSUP's obligation to fund the costs of improvements needed to meet any such requirements.

For instance, Dubai's Federal Law No. 24 of 1999 for the Protection and Development of the Environment requires major projects to be licensed by the Federal Environmental Agency. As part of the licensure application, the Agency requires an environmental impact assessment to determine the project's effect on the environment. Vessels are prohibited from discharging harmful substances, including oil, into Dubai's waters. Violators are subject to fines. At this time, *Golar Freeze* constitutes a major project under the applicable regulations and we supplied the necessary information to DUSUP. Using the information provided, DUSUP has acquired all of the necessary operating permits to comply with Dubai's Federal Law No. 24.

In addition, Dubai's Law No. 11 of 2010 on licensing Marine Transport Means includes licensing and registration requirements for vessels and crews. As a condition of licensing, registration, or license renewal, the vessel owner must present evidence of an insurance policy issued by an insurance company which is licensed to operate in Dubai and which covers the owner against liability from damages inflicted upon third parties. Vessels entering Dubai's waters are required to be in compliance with the technical specifications of their flag state and the Dubai Maritime City Authority (or DMCA) is authorized to conduct technical inspections of vessels entering Dubai's waters. The DMCA is authorized to create additional environmental regulations and in the future the DMCA may create regulations which effect greenhouse gas emissions. Violators of Law No. 11 of 2010 can be subject to fines, cancellation of licensure, and seizure of the vessel. We have obtained the requisite insurance and have met the applicable licensure and registration requirements for the *Golar Freeze*.

Also, the DMCA has issued two regulations which both took effect on August 1, 2011. The Dubai Anchorages Regulation applies to vessels entering Dubai's waters and exclusive economic zone. The owner of a vessel must indemnify the DMCA for all claims and costs arising out of actual or potential pollution damage and costs of cleanup resulting from any act, omissions, neglect or default of the Master of the vessel, employees, contractors or sub-contractors or from the unseaworthiness of the vessel. The Ship to Ship Transfer Operations Regulation requires vessels to carry a Ship to Ship Transfer Operation Plan conforming to the requirements of MARPOL Annex I. The Operation Plan must be approved by the vessel's flag administration or submitted electronically to the DMCA for review. After April 1, 2012, all Operation Plans must be approved by the vessel's flag administration. Violators of these regulations are subject to criminal liability.

These environmental laws and regulations and others may impose costly and onerous obligations and violation or pollution events can lead to substantial civil and criminal fines and penalties. Because the cost of improvements needed to comply with any such new laws or regulations of Dubai is generally the responsibility of DUSUP, we do not foresee any increases in our overall cost of business due to any revisions or reinterpretations of existing Dubai law, or the promulgation of new Dubai or UAE environmental regulations.

Brazil Environmental Regulations

In Brazil, the environmental requirements are defined by the field operator, and in most cases, Petrobras, where it is involved. Brazilian environmental law includes international treaties and conventions to which Brazil is a party, as well as federal, state and local laws, regulations and permit requirements related to the protection of health and the environment. Brazilian oil and gas business is subject to extensive regulations by several governmental agencies, including the National Agency for Oil and Gas, the Brazilian Navy and the Brazilian Authority for Environmental Affairs and Renewable Resources.

The *Golar Spirit* and the *Golar Winter* which are operating in Brazil as FSRUs are subject to various local regulations such as the Conama Resolution 357 (the "Water Act" of March 2005) and the Conama Resolution 382 (the "Air Pollution Act" of December 2006). Failure to comply may subject us to administrative, criminal and civil liability, with strict liability in administrative and civil cases.

Indonesia Environmental Regulations

The *NR Satu* which is operating in Indonesia as an FSRU is also subject to various local environmental regulations.

Vessel Safety Regulations

The Maritime Safety Committee adopted a new paragraph 5 of SOLAS regulation III/1 to require lifeboat on-load release mechanisms not complying with new International Life-Saving Appliances (LSA) Code requirements to be replaced no later than the first scheduled dry-docking of the ship after July 1, 2014 but, in any case, not later than July 1, 2019. The SOLAS amendment, which entered into force on January 1, 2013, is intended to establish new, stricter, safety standards for lifeboat release and retrieval systems, aimed at preventing accidents during lifeboat launching, and will require the assessment and possible replacement of a large number of lifeboat release hooks.

All our vessels that were drydocked in 2013 had the lifeboat release and retrieval systems overhauled and modified where found necessary.

According to SOLAS Ch V/19.2.10, all vessels shall have an Electronic Chart Display and Information Systems (ECDIS) installed in the period 2012 to 2018. Our LNG vessels must have approved ECDIS fitted no later than the first survey on or after July 1, 2015.

All our vessels that were dry docked in 2013 had an ECDIS installed and our officers have been sent to specific training courses.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Act of 2002 (or MTSA) came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in 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 (or ISSC) from a recognized security organization approved by the vessel's flag state.

Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- 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
- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from obtaining U.S. Coast Guard-approved MTSA vessel security plans provided such vessels have on board an ISSC that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Our vessel managers have developed Security Plans, appointed and trained Ship and Office Security Officers and each of our vessels in our fleet complies with the requirements of the ISPS Code, SOLAS and the MTSA.

Other Regulation

Our LNG vessels may also become subject to the 2010 HNS Convention, if it is entered into force. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances (or HNS), including liquefied gases. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by shipowners and an HNS Fund which comes into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the shipowner up to a maximum of 100 million Special Drawing Rights (or SDR). If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and we cannot estimate the costs that may be needed to comply with any such requirements that may be adopted with any certainty at this time.

Inspection by Classification Societies

Every large, commercial seagoing vessel must be "classed" by a classification society. A classification society certifies that a vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

Our FSRUs, except for the *NR Satu*, are "classed" as LNG carriers with 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 special 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 "condition of class" 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.

The FSRU, the *NR Satu* has a dual class (Det Norske Veritas and the Indonesian BKI) with class notation +OI Floating Offshore LNG Regasification Terminal, REGAS, POSMOOR. The unit is without a propulsion system and is permanently moored without the ability to trade as LNG carrier.

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. The *Golar Mazon* is certified by Lloyds Register, and all our other vessels are each certified by Det Norske Veritas. Both being members of the International Association of Classification Societies. All of our vessels have been awarded ISM certification and are currently "in class."

In-House Inspections

Golar Wilhelmsen, our ship manager, carries out inspections of the vessels on a regular basis; both at sea and when the vessels are in port, while we carry out inspection and vessel audits to verify conformity with manager's 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.

Taxation of the Partnership

United States Taxation

The following is a discussion of the material U.S. federal income tax considerations applicable to us. This discussion is based upon provisions of the Code as in effect on the date of this Annual Report, existing final and temporary regulations thereunder (Treasury Regulations), and current administrative rulings and court decisions, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. The following discussion is for general information purposes only and does not purport to be a comprehensive description of all of the U.S. federal income tax considerations applicable to us.

Election to be Treated as a Corporation. We have elected to be treated as a corporation for U.S. federal income tax purposes. As such, we are subject to U.S. federal income tax on our income to the extent it is from U.S. sources or is otherwise effectively connected with the conduct of a trade or business in the United States as discussed below.

Taxation of Operating Income. Substantially all of our gross income is attributable to the transportation, regasification and storage of LNG, and we expect that substantially all of our gross income will continue to be attributable to the transportation, regasification and storage of LNG. Gross income generated from regasification and storage of LNG outside of the United States generally is not subject to U.S. federal income tax, and gross income generated from such activities in the United States generally is subject to U.S. federal income tax. Gross income that is attributable to transportation that either begins or ends, but that does not both begin and end, in the United States (or U.S. Source International Transportation Income) is considered to be 50.0% derived from sources within the United States and may be subject to U.S. federal income tax as described below. Gross income attributable to transportation that both begins and ends in the United States (or U.S. Source Domestic Transportation Income) is considered to be 100.0% derived from sources within the United States and generally is subject to U.S. federal income tax. Gross income attributable to transportation exclusively between non-U.S. destinations is considered to be 100.0% derived from sources outside the United States and generally is not subject to U.S. federal income tax.

We are not permitted by law to engage in transportation that gives rise to U.S. Source Domestic Transportation Income, and we do not anticipate providing any regasification or storage services within the territorial seas of the United States. However, certain of our activities give rise to U.S. Source International Transportation Income, and future expansion of our operations could result in an increase in the amount of U.S. Source International Transportation Income, all of which could be subject to U.S. federal income taxation unless the exemption from U.S. taxation under Section 883 of the Code (or the Section 883 Exemption) applies.

The Section 883 Exemption. In general, the Section 883 Exemption provides that if a non-U.S. corporation satisfies the requirements of Section 883 of the Code and the Treasury Regulations thereunder (or the Section 883 Regulations), it will not be subject to the net basis and branch taxes or the 4.0% gross basis tax described below on its U.S. Source International Transportation Income. The Section 883 Exemption applies only to U.S. Source International Transportation Income and does not apply to U.S. Source Domestic Transportation Income. As discussed below, we believe that based on our current ownership structure, the Section 883 Exemption applies and we are not subject to U.S. federal income tax on our U.S. Source International Transportation Income.

To qualify for the Section 883 Exemption, we must, among other things, meet the following three requirements:

- be organized in a jurisdiction outside the United States that grants an equivalent exemption from tax to corporations organized in the United States with respect to the types of U.S. Source International Transportation Income that we earn (or an Equivalent Exemption);
- satisfy the Publicly Traded Test (as described below) or the Qualified Shareholder Stock Ownership Test (as described below); and
- meet certain substantiation, reporting and other requirements.

In order for a non-U.S. corporation to meet the Publicly Traded Test, its equity interests must be “primarily traded” and “regularly traded” on an established securities market either in the United States or in a jurisdiction outside the United States that grants an Equivalent Exemption. The Section 883 Regulations provide, in pertinent part, that equity interests in a non-U.S. corporation will be considered to be “primarily traded” on an established securities market in a given country if, with respect to the class or classes of equity relied upon to meet the “regularly traded” requirement described below, the number of units of each such class that are traded during any taxable year on all established securities markets in that country exceeds the number of units in such class that are traded during that year on established securities markets in any other single country. Equity interests in a non-U.S. corporation will be considered to be “regularly traded” on an established securities market under the Section 883 Regulations if one or more classes of such equity interests that, in the aggregate, represent more than 50.0% of the combined vote and value of all outstanding equity interests in the non-U.S. corporation satisfy certain listing and trading volume requirements. These listing and trading volume requirements will be satisfied with respect to a class of equity interests if trades in such class are effected, other than in *de minimis* quantities, on an established securities market on at least 60 days during the taxable year and the aggregate number of units in such class that are traded on an established securities market during the taxable year is at least 10.0% of the average number of units outstanding in that class during the taxable year (with special rules for short taxable years). In addition, a class of equity interests will be considered to satisfy these listing and trading volume requirements if the equity interests in such class are traded during the taxable year on an established securities market in the United States and are “regularly quoted by dealers making a market” in such class (within the meaning of the Section 883 Regulations).

Even if a class of equity satisfies the foregoing requirements, and thus generally would be treated as “regularly traded” on an established securities market, an exception may apply to cause the class to fail the regularly traded test if, for more than half of the number of days during the taxable year, one or more 5.0% unitholders (*i.e.*, unitholders owning, actually or constructively, at least 5.0% of the vote and value of that class) own in the aggregate 50.0% or more of the vote and value of the class (or the Closely Held Block Exception). The Closely Held Block Exception does not apply, however, in the event the corporation can establish that a sufficient proportion of such 5.0% unitholders are Qualified Shareholders (as defined below) so as to preclude other persons who are 5.0% unitholders from owning 50.0% or more of the value of that class for more than half the days during the taxable year.

As set forth above, as an alternative to satisfying the Publicly Traded Test, a non-U.S. corporation may qualify for the Section 883 Exemption by satisfying the Qualified Shareholder Stock Ownership Test. A corporation generally will satisfy the Qualified Shareholder Stock Ownership Test if more than 50.0% of the value of its outstanding equity interests is owned, or treated as owned after applying certain attribution rules, for at least half of the number of days in the taxable year by:

- individual residents of jurisdictions that grant an Equivalent Exemption;
- non-U.S. corporations organized in jurisdictions that grant an Equivalent Exemption and that meet the Publicly Traded Test; or
- certain other qualified persons described in the Section 883 Regulations (which we refer to collectively as Qualified Shareholders).

We believe that we satisfy all of the requirements for the Section 883 Exemption, and we expect that we will continue to satisfy such requirements. We are organized under the laws of the Republic of the Marshall Islands. The U.S. Treasury Department has recognized the Republic of the Marshall Islands as a jurisdiction that grants an Equivalent Exemption with respect to the type of U.S. Source International Transportation Income we expect to earn. Consequently, our U.S. Source International Transportation Income (including for this purpose, any such income earned by our subsidiaries) is and will be exempt from U.S. federal income taxation provided we meet either the Publicly Traded Test or the Qualified Shareholder Stock Ownership Test and we satisfy certain substantiation, reporting and other requirements.

Because our common units are traded only on The Nasdaq Global Market, which is considered to be an established securities market, our equity interests are “primarily traded” on an established securities market for purposes of the Publicly Traded Test. Although the matter is not free from doubt, based on our current and expected cash flow and distributions on our outstanding equity interests, we believe that our common units represent more than 50.0% of the total value of all of our outstanding equity interests, and we believe that we currently satisfy, and will continue to satisfy, the listing and trading volume requirements described previously. In addition, our partnership agreement provides that any person or group that beneficially owns more than 4.9% of any class of our units then outstanding generally will be treated as owning only 4.9% of such units for purposes of voting for directors. Although there can be no assurance that this limitation will be effective to eliminate the possibility that we have or will have any 5.0% unitholders for purposes of the Closely Held Block Exception, based on the current ownership of our common units, we believe that our common units have not lost eligibility for the Section 883 Exemption as a result of the Closely Held Block Exception. Thus, although the matter is not free from doubt and is based upon our belief and expectations regarding our satisfaction of the factual requirements described above we believe that we will satisfy the Publicly Traded Test for the present taxable year and future taxable years.

The conclusions described above are based upon legal authorities that do not expressly contemplate an organizational structure such as ours. In particular, although we have elected to be treated as a corporation for U.S. federal income tax purposes, we are organized as a limited partnership under Marshall Islands law. Accordingly, while we believe that, assuming satisfaction of the factual requirements described above, our common units are considered “regularly traded” on an established securities market and that we should satisfy the requirements for the Section 883 Exemption, it is possible that the IRS would assert that our common units do not meet the “regularly traded” test. In addition, as described previously, our ability to satisfy the Publicly Traded Test depends upon factual matters that are subject to change. Should any of the factual requirements described above fail to be satisfied, we may not be able to satisfy the Publicly Traded Test. Furthermore, our board of directors could determine that it is in our best interests to take an action that would result in our not being able to satisfy the Publicly Traded Test in the future.

In the event we are not able to satisfy the Publicly Traded Test for a taxable year, we may be able to satisfy the Qualified Shareholder Stock Ownership Test for that year provided Golar owns more than 50.0% of the value of our outstanding equity interests for more than half of the days in such year, Golar itself met the Publicly Traded Test for such year and Golar provided us with certain information that we need in order to claim the benefits of the Qualified Shareholder Stock Ownership Test. Golar has represented that it presently meets the Publicly Traded Test and has agreed to provide the information described above. However, there can be no assurance that Golar will continue to meet the Publicly Traded Test or be able to provide the information we need to claim the benefits of the Section 883 Exemption under the Qualified Shareholder Ownership Test. Further, the relative values of our equity interests are uncertain and subject to change, and as a result Golar may not own more than 50.0% of the value of our outstanding equity interests for any future year. Consequently, there can be no assurance that we would meet the Qualified Shareholder Stock Ownership Test based upon the ownership by Golar of an indirect ownership interest in us.

The Net Basis Tax and Branch Profits Tax. If we earn U.S. Source International Transportation Income and the Section 883 Exemption does not apply, the U.S. source portion of such income may be treated as effectively connected with the conduct of a trade or business in the United States (or Effectively Connected Income) if we have a fixed place of business in the United States involved in the earning of U.S. Source International Transportation Income and substantially all of our U.S. Source International Transportation Income is attributable to regularly scheduled transportation or, in the case of vessel leasing income, is attributable to a fixed place of business in the United States. In addition, if we earn income from regasification or storage of LNG within the territorial seas of the United States, such income may be treated as Effectively Connected Income. Based on our current operations, substantially all of our potential U.S. Source International Transportation Income is not attributable to regularly scheduled transportation or vessel leasing, and none of our regasification or storage activities occur within the territorial seas of the United States. As a result, we do not anticipate that any of our U.S. Source International Transportation Income or income earned from regasification or storage will be treated as Effectively Connected Income. However, there is no assurance that we will not earn income pursuant to regularly scheduled transportation or bareboat charters attributable to a fixed place of business in the United States (or earn income from regasification or storage activities within the territorial seas of the United States) in the future, which would result in such income being treated as Effectively Connected Income.

Any income we earn that is treated as Effectively Connected Income, net of applicable deductions, would be subject to U.S. federal corporate income tax (currently imposed at rates of up to 35.0%). In addition, a 30.0% branch profits tax could be imposed on any income we earn that is treated as Effectively Connected Income, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid by us in connection with the conduct of our U.S. trade or business.

On the sale of a vessel that has produced Effectively Connected Income, we could be subject to the net basis U.S. federal corporate income tax as well as branch profits tax with respect to the gain recognized up to the amount of certain prior deductions for depreciation that reduced Effectively Connected Income. Otherwise, we would not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

The 4.0% Gross Basis Tax. If the Section 883 Exemption does not apply and the net basis tax does not apply, we would be subject to a 4.0% U.S. federal income tax on the U.S. source portion of our gross U.S. Source International Transportation Income, without benefit of deductions. Under the sourcing rules described above under “—United States Taxation—Taxation of Operating Income,” 50.0% of our U.S. Source International Transportation Income would be treated as being derived from U.S. sources.

Marshall Islands Taxation

We believe that because we, our operating subsidiary and our controlled affiliates do not, and do not expect to conduct business or operations in the Republic of the Marshall Islands, neither we nor our controlled affiliates will be subject to income, capital gains, profits or other taxation under current Marshall Islands law. As a result, distributions by our operating subsidiary and our controlled affiliates to us will not be subject to Marshall Islands taxation.

United Kingdom Taxation

The following is a discussion of the material United Kingdom tax consequences applicable to us. This discussion is based upon existing legislation and current H.M. Revenue & Customs practice as of the date of this Annual Report. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. The following discussion is for general information purposes only and does not purport to be a comprehensive description of all of the United Kingdom tax considerations applicable to us.

Tax Residence and Taxation of a Permanent Establishment in the United Kingdom. A company treated as resident in the United Kingdom for purposes of the United Kingdom Corporation Tax Acts is subject to corporation tax in the same manner and to the same extent as a United Kingdom incorporated company. For this purpose, place of residence is determined by the place at which central management and control of the company is carried out.

In addition, a non-United Kingdom resident company will be subject to United Kingdom corporation tax on profits attributable to a permanent establishment in the United Kingdom to the extent it carries on a trade in the United Kingdom through such a permanent establishment. A company not resident in the United Kingdom will be treated as having a permanent establishment in the United Kingdom if it has a fixed place of business in the United Kingdom through which the business of the company is wholly or partly carried on or if an agent acting on behalf of the company has and habitually exercises authority to enter into contracts on behalf of the company.

Unlike a company, a partnership resident in the United Kingdom or carrying on a trade in the United Kingdom is not itself subject to tax, although its partners generally will be liable for United Kingdom tax based upon their shares of the partnership's income and gains. Please read "Item 4—Information about the Partnership—Taxation of the Partnership—Non-United States Tax Considerations—United Kingdom Tax Consequences."

Taxation of Non-United Kingdom Incorporated Subsidiaries. We will undertake measures designed to ensure that our non-United Kingdom incorporated subsidiaries will be considered controlled and managed outside of the United Kingdom and not as having a permanent establishment or otherwise carrying on a trade in the United Kingdom. While certain of our subsidiaries that are incorporated outside of the United Kingdom will enter into agreements with Golar Management, a United Kingdom incorporated company, for the provision of administrative and/or technical management services, we believe that the terms of these agreements will not result in any of our non-United Kingdom incorporated subsidiaries being treated as having a permanent establishment or carrying on a trade in the United Kingdom. As a consequence, we expect that our non-United Kingdom incorporated subsidiaries will not be treated as resident in the United Kingdom and the profits these subsidiaries earn will not be subject to tax in the United Kingdom.

Taxation of United Kingdom Incorporated Subsidiaries. Each of our subsidiaries that is incorporated in the United Kingdom will be regarded for the purposes of the United Kingdom Corporation Tax Acts as being resident in the United Kingdom and will be liable to United Kingdom corporation tax on its worldwide income and chargeable gains, regardless of whether this income or gains are remitted to the United Kingdom. The generally applicable rate of United Kingdom corporation tax is 21.0% from April 1, 2014. Our United Kingdom incorporated subsidiaries will be liable to tax at this rate on their net income, profits and gains after deducting expenses incurred wholly and exclusively for the purposes of the business being undertaken. There is currently no United Kingdom withholding taxes on distributions made to us.

Brazilian Taxation

The following discussion is based upon our knowledge and understanding of the tax laws of Brazil and regulations, rulings and judicial decisions thereunder, all as in effect of the date of this Annual Report and subject to possible change on a retroactive basis. The following discussion is for general information purposes and does not purport to be a comprehensive description of all the Brazilian income tax considerations applicable to us.

One of our subsidiaries, Golar Serviços de Operação de Embarcações Ltda, (or Golar Brazil), has entered into operation and services agreements with Petrobras with respect to the *Golar Spirit* and the *Golar Winter*.

On commencement of trade by Golar Brazil in July 2008 (upon delivery of the *Golar Spirit*), we became subject to tax in Brazil (including net income taxes due from Golar Brazil, if any, and any Brazilian withholding taxes is required to be withheld by Golar Brazil from payments it makes to our other subsidiaries) in the approximate amount of 37.5% of the payments due to Golar Brazil under the operation and services agreement with respect to the *Golar Spirit* and the *Golar Winter*. A portion of this tax is withheld by Petrobras from payments it makes to Golar Brazil under the operation and services agreement, and the remainder is collected directly from Golar Brazil.

Petrobras generally will not be required to withhold tax from payments it makes under the charters for the *Golar Spirit* or the *Golar Winter* so long as the payments are not made to a "non-tax paying" jurisdiction as defined by the Brazilian authorities. Payments by Petrobras under the charters will be made to UK resident companies and will not therefore be subject to withholding tax.

Brazil may levy tax on the importation of goods and assets into Brazil. However, under the agreements with Petrobras, Petrobras is responsible for these taxes so long as we provide the proper documentation and take the necessary measures in order to clear the vessel and spare parts for importation and customs clearance. Consequently, we do not expect to be liable for any taxes on the importation of goods or assets into Brazil.

Indonesian Taxation

The following discussion is based upon our knowledge and understanding of the tax laws of Indonesia and regulations, rulings and judicial decisions thereunder, all as in effect of the date of this Annual Report and subject to possible change on a retroactive basis. The following discussion is for general information purposes and does not purport to be a comprehensive description of all the Indonesian income tax considerations applicable to us.

PTGI, which owns and operates the *NR Satu*, has entered into a time charter party agreement with PTNR.

On commencement of the charter by PTGI in Indonesia, which occurred in May 2012 upon delivery of the *NR Satu*, we became subject to tax in Indonesia payable by PTGI. This included (and is not limited to) corporate income tax on profits at a rate of 25%, withholding taxes required to be withheld by PTGI from payments it makes to our other subsidiaries which could be dividends to PTGI's immediate parent or interest payments on group loans as well as third party debt financing.

However, the tax exposure in Indonesia is intended to be mitigated by revenue due under the charter. This tax element of the time charter rate was established at the beginning of the time charter, and shall be adjusted only where there is a change in Indonesian tax laws or the invalidity of certain stipulated tax assumptions.

PTNR does not withhold tax from payments it makes under the charter for the *NR Satu* as payments to PTGI are to a fellow Indonesian entity.

Employees

Other than our Secretary, we currently do not have any employees and rely on the executive officers, directors and other key employees of Golar Management who perform services for us pursuant to the management and administrative services agreement. Golar Management also provides commercial and technical management services to our fleet and will provide administrative services to us pursuant to the management and administrative services agreement. Please read “Item 6. Directors, Senior Management and Employees—Executive Officers.”

C. Organizational Structure

Golar GP LLC, a Marshall Islands limited liability company, is our general partner. Our general partner is a subsidiary of Golar, which is a Bermuda exempted company. Please read Exhibit 8.1 to this Annual Report for a list of our significant subsidiaries as of December 31, 2013.

D. Property, Plant and Equipment

Other than the vessels in our current fleet, we also own a purpose-built mooring structure with a net book value of \$32.1 million and \$35.7 million as of December 31, 2013 and 2012, respectively. The mooring structure is located off West Java, Indonesia where the *NR Satu* is permanently moored for the duration of its time charter with PTNR. Together with the *NR Satu*, the mooring structure is under a time charter with PTNR which terminates at the end of 2022. The mooring structure, together with the *NR Satu*, is also secured against the \$175 million NR Satu facility.

Item 4A. Unresolved Staff Comments

There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports which remain unresolved as of the date of the filing of this Form 20-F with the Commission.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with our historical financial statements and related notes included elsewhere in this Annual Report. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. Our consolidated and combined financial statements have been prepared in accordance with U.S. GAAP and are presented in U.S. Dollars.

References in this Annual Report to our "initial fleet" refer to the Golar Winter, the Golar Spirit, the Golar Mazo and the Methane Princess, all of which were contributed to us at or prior to our IPO. The entities that own the vessels in our initial fleet were acquired in transactions deemed to be a reorganization of entities under common control and have, therefore, been recorded at Golar's book values. The historical financial statements for periods prior to the completion of our initial public offering on April 13, 2011, which results are discussed below, have been carved out of the consolidated financial statements of Golar, which operated the vessels in our initial fleet for periods prior to our IPO.

In October 2011 and July 2012, we acquired from Golar interests in subsidiaries that own and operate the FSRUs, the Golar Freeze and the NR Satu, respectively. In addition, in November 2012, we acquired from Golar interests in subsidiaries that lease and operate the LNG carrier, the Golar Grand. The Golar Freeze, the NR Satu and the Golar Grand are referred to herein collectively as the "Dropdown Predecessor". These transactions were also deemed to be a reorganization of entities under common control.

Under the Partnership Agreement, our general partner has irrevocably delegated to our board of directors the power to oversee and direct the operations of, manage and determine the strategies and policies of Golar Partners. During the period from the IPO in April 2011 until the time of our first annual general meeting ("AGM") on December 13, 2012, Golar retained the sole power to appoint, remove and replace all members of our board of directors. From the first AGM, four of the seven board members became electable by the common unitholders and accordingly, Golar no longer retains the power to control our board and, hence, the Partnership. As a result, we are no longer considered to be under common control with Golar, and as a consequence, from December 13, 2012, we no longer account for vessel acquisitions from Golar as transfer of equity interests between entities under common control.

In February 2013, we acquired from Golar 100% interests in the subsidiary that owns and operates the LNG carrier, the Golar Maria, which we accounted for as an acquisition of a business. Accordingly, the results of the Golar Maria are consolidated into our results from the date of her acquisition. There has been no retroactive restatement of our financial statements to reflect the historical results of the Golar Maria prior to her acquisition.

Our financial position, results of operations and cash flows reflected in our consolidated and combined financial statements include all expenses allocable to our business, but may not be indicative of those that would have been achieved had we operated as a separate public entity for all periods presented or of future results.

Background and Overview

We were formed by Golar in 2007, a leading independent owner and operator of LNG carriers and FSRUs, to own and operate FSRUs and LNG carriers under long-term charters that generate long-term stable cash flows. Our fleet currently consists of five FSRUs and four LNG carriers. We expect to make additional accretive acquisitions of FSRUs and LNG carriers with long-term charters from Golar and third parties in the future as market conditions permit.

On April 13, 2011, we completed our IPO. In connection with our IPO, we issued to Golar 23,127,254 common units and 15,949,831 subordinated units. Our general partner also received 797,492 general partner units, representing a 2.0% general partner interest in us, and 81% of our incentive distribution rights (or our IDRs). We issued the remaining 19% of our IDRs to Golar Energy. Since the delisting of Golar Energy in August 2011, Golar Energy has been a wholly owned subsidiary of Golar. In the IPO of our common units, Golar sold 13,800,000 common units to the public at a price of \$22.50 per common unit.

Significant Developments in 2013 and Early 2014

Equity offerings

In February 2013, we completed our third follow-on public offering, in which we sold a total of 3,900,000 common units at a price of \$29.74 per common unit. In addition, our general partner contributed approximately \$2.6 million to us to maintain its 2.0% general partner interest in us. Simultaneously, we also closed a private placement of 416,947 common units to Golar at a price of \$29.74 per common unit. We received total net proceeds of \$130 million from the public offering, the concurrent private placement and the general partner's contribution (together, the February 2013 Equity Offerings).

In December 2013, we completed our fourth follow-on equity offering, in which we sold a total of 5,100,000 common units at a price of \$29.10 per common unit. In addition, our general partner, contributed \$3.0 million to us to maintain its 2.0% general partner interest in us. We received total net proceeds of \$150.3 million from the public offering and the general partner's contribution (together, the December 2013 Equity Offerings). Concurrent to this, Golar, as a selling unitholder, realized part of its stake in the Partnership by selling 3.4 million common units representing limited partner interests in us.

Acquisitions

In February 2013, we acquired from Golar interests in the company that owns and operates the *Golar Maria*, which is currently operating under a time charter with Eni that expires in December 2017, for a total purchase price of approximately \$215.0 million less assumed debt of \$89.5 million. The acquisition of the *Golar Maria* was financed by the proceeds from the February 2013 Equity Offerings.

In March 2014, we acquired from Golar interests in the company that owns and operates the *Golar Igloo*, which is currently operating under a time charter with KNPC that expires in December 2018, for a total purchase price of approximately \$310.0 million less assumed debt of \$161.3 million. The acquisition of the *Golar Igloo* was financed by the proceeds from the December 2013 Equity Offerings.

Our Charters

We generate revenues by chartering FSRUs and LNG carriers to customers for a fixed period of time at rates that are generally fixed but may contain a variable component, such as an inflation adjustment.

As of March 31, 2014, the average remaining term of our existing long-term time charters was approximately seven years for our FSRU vessels, subject to certain termination and purchase rights, and five years for our LNG carriers.

Generally, under our existing charters, the rate we charge for our services, which we call the "hire rate," includes the following two cost components:

- *Capital Component.* The capital component relates to the cost of the vessel's purchase and is structured to meet that cost and to provide a profit on the services we provide and the risks we take, as well as a return on invested capital. The capital component of our time charters is usually fixed; however, the *Golar Spirit* and *Golar Winter* charters provide for inflation adjustments to the capital component.
- *Operating Component.* The operating component is intended to compensate us for vessel operating expenses, including management fees. This component is established at the beginning of the charter and then typically either escalates annually at a fixed percentage or fluctuates annually based on changes in a specified consumer price index.

Under the *NR Satu* charter, we also charge the charterer for a mooring element and a tax element. The mooring element relates to the cost of the mooring system which we constructed as part of the time charter party agreement with the charterer. This element is structured to meet the cost of the mooring system. This component is fixed for the time charter and applies only to the initial charter term. The tax element is intended to compensate us for any taxes that we may have to pay to the Indonesian authorities including corporate taxes, withholding tax on dividends and withholding tax on interest. This element is established at the beginning of the charter and shall be adjusted only when there is any change in Indonesian Tax Laws (including any changes in interpretation or implementation thereof) or any treaty to which Indonesia is party or the invalidity of any tax assumptions used in determining the tax element.

Hire payments may be reduced if a vessel does not perform to certain of its technical specifications, such as if the average vessel speed falls below a guaranteed speed or the amount of fuel consumed to power the vessel under normal circumstances exceeds a guaranteed amount or if there is a reduction in the output of the regasification unit. Historically, we have had few instances of hire rate reductions and none that have had a material impact on our operating results.

When the vessel is “off-hire”—or not available for service—the customer generally is not required to pay the hire rate and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of the time charter. A vessel generally will be deemed off-hire if there is a loss of time due to, among other things:

- operational deficiencies; drydocking for repairs, maintenance or inspection; equipment breakdowns; special surveys; vessel upgrades; or delays due to accidents, crewing strikes, certain vessel detentions or similar problems; or
- our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew.

For more information on our charters, please read “Item 4—Information on the Partnership—FSRU Charters” and “—LNG Carrier Charters.”

Market Overview and Trends

Historically, spot and short-term charter hire rates for LNG carriers have been uncertain which reflect the variability in the supply and demand for LNG carriers. The industry has not, however, experienced a structural surplus of LNG carriers since the 1980s with fluctuations in rates and utilization over the intervening decades reflecting short-term timing disconnects between the delivery of new vessels and delivery of the new LNG they were ordered to transport. During the last cycle, an excess of LNG carriers first became evident in 2004, before reaching a peak in the second quarter of 2010, when spot and short term charter hire rates together with utilization reached historic lows. Due to a lack of newbuild orders placed between 2008 and 2010, this trend then reversed from the third quarter of 2010 such that the demand for LNG shipping was not being met by available supply in 2011 and the first half of 2012. Spot and short-medium term charter hire rates together with fleet utilization reached historic highs as a result. Since then, hire rates and utilization slowly declined from these all-time highs reaching an equilibrium around the third quarter of 2013 when the supply and demand of vessels was broadly in alignment. Subsequent to this, the pace of newbuild LNG carrier deliveries has outstripped the supply of new LNG liquefaction, and we expect this to continue through to 2015. Hire rates and utilization will continue to be volatile over this time frame. From 2016, the arrival of substantial new LNG volumes is expected to absorb the built-up surplus of LNG carriers and result in increasing hire rates and utilization of vessels exposed to the market at this time. This expectation is predicated on an observed reduction in LNG carrier orders which if sustained even over a relatively short period will result in insufficient carriers in the market to move the LNG volumes expected to deliver.

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:

- ***Prior to December 13, 2012, our financial results reflect the results of the FSRUs, the Golar Freeze and the NR Satu, and the LNG carrier, the Golar Grand, acquired from Golar, for all periods during which such vessels were under common control.*** Our acquisitions of the *Golar Freeze*, the *NR Satu* and the *Golar Grand* in October 2011, July 2012 and November 2012, respectively, were deemed to be business acquisitions between entities under common control. Accordingly, we have accounted for these transactions in a manner similar to the pooling of interest method whereby our financial statements prior to the date these vessels were acquired by us are retroactively adjusted to include the results of the *Golar Freeze*, the *NR Satu* and the *Golar Grand*. From December 13, 2012, we are no longer under common control of Golar, therefore, commencing with the acquisition of the *Golar Maria* in February 2013, we no longer retroactively adjust our historical financial results, thus, future results will be less comparable following future acquisitions.
- ***The NR Satu did not generate revenues during the period of her retrofitting and is being operated in a substantially different manner than she had in the past.*** The *NR Satu* was in lay up during her long-term charter with BG Group in August 2009 until the end of 2010, prior to transitioning and entry into the shipyard in March 2011 to undergo retrofitting for FSRU service. The *NR Satu* completed her FSRU retrofitting in April 2012 and commenced FSRU service under her long-term charter with PTNR in May 2012. The *NR Satu* did not earn revenues while undergoing retrofitting in the shipyard.

- ***We intend to increase the size of our fleet by making other acquisitions.*** Our growth strategy focuses on expanding our fleet through the acquisition of FSRUs and LNG carriers under long-term time charters. Please read "—Significant Developments in 2013 and Early 2014" above for further details about our prior acquisitions. Golar has a fleet of ten newbuild LNG carriers, two of which have been delivered in the second half of 2013 and the remaining to be delivered in 2014 to 2015, and two FSRUs (following our acquisition of the *Golar Igloo* from Golar in March 2014), one of which delivers in the second half of 2014 and is already subject to a long-term time charter, which are potential acquisitions in the event Golar secures long-term charters for these vessels. We may need to issue additional equity or incur additional indebtedness to fund additional vessels that we purchase.
- ***Vessel operating and other costs are facing industry-wide cost pressures.*** Due to the specialized nature of operating FSRUs and LNG carriers, the industry continues to experience a global manpower shortage of qualified officers due to the increase in size of the worldwide LNG carrier fleet. We expect that there will be an increase in crew compensation which will result in higher crewing costs. In addition, factors such as pressure on raw material prices and changes in regulatory requirements could also increase operating expenditures. Although we continue to take measures to improve operational efficiencies and mitigate the impact of inflation and price escalations, future increases to operational costs are likely to occur.
- ***Prior to December 13, 2012, our historical results of operations reflect allocated administrative costs that may not be indicative of future administrative costs.*** The administrative costs included in our historical results of operations have been determined by allocating Golar's administrative costs to us based on the size of our fleet in relation to the size of Golar's fleet. These allocated costs may not be indicative of our future administrative costs. Under the management and administrative services agreement that we have entered into with Golar Management, Golar Management provides significant administrative, financial and other support services to us. We reimburse Golar Management for costs and expenses incurred in connection with the provision of the services under that agreement. In addition, we pay Golar Management a management fee equal to 5% of its costs and expenses incurred in connection with providing services to us.
- ***We are incurring additional general and administrative expenses as a publicly traded partnership.*** Since our IPO in April 2011, we have begun to incur additional general and administrative expenses as a consequence of being a publicly traded partnership, including costs associated with annual reports to unitholders, SEC filings, investor relations, registrar and transfer agent fees, audit fees, incremental director and officer liability insurance costs and directors' compensation.
- ***We may enter into different financing arrangements.*** Our financing arrangements currently in place may not be representative of the arrangements we will enter into in the future. For example, we may amend our existing credit facilities or enter into new financing arrangements. For descriptions of our current financing arrangements, please read "—Liquidity and Capital Resources—Borrowing Activities."
- ***Our results are affected by fluctuations in the fair value of our derivative instruments.*** The change in fair value of some of our derivative instruments is included in our net income as some of our derivative instruments are not designated as hedges for accounting purposes. These changes may fluctuate significantly as interest rates fluctuate. Please read Note 23 in the notes to our consolidated and combined financial statements. The unrealized gains or losses relating to the change in fair value of our derivatives do not impact our cash flows.
- ***The amount and timing of drydocking and the number of drydocking days of our vessels can significantly affect our revenues between periods.*** Our vessels are off-hire at various points of time due to scheduled and unscheduled maintenance. During the years ended December 31, 2013, 2012 and 2011, we had 128, 21 and 21 off-hire days, respectively, relating to drydocking of our vessels. Material differences in the number of off-hire days from period to period could cause financial results to differ materially. The material impact of off-hire time on our business and results of operations is discussed below.

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 acquire additional vessels from Golar or from third parties;
- our ability to maintain good relationships with our seven existing customers and our future customers and to increase the number of our customer relationships;
- increased demand for LNG shipping services, including floating storage and regasification services;

- our ability to successfully employ our vessels at economically attractive rates, as our charters expire or are otherwise terminated;
- the effective and efficient technical management of our vessels;
- Golar's 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 and the LNG 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, unscheduled off-hire days and the level of our vessel operating expenses;
- mark-to-market charges in interest rate 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;
- increased crewing costs;
- our level of debt and the related interest expense and amortization of principal; and
- the level of any distribution on our common units.

Please read "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 several reasons: scheduled drydocking, special survey, vessel upgrade or maintenance or inspection, 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, maintenance, operational deficiencies, equipment breakdown, accidents, crewing strikes, certain vessel detentions or similar problems, or our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew, which we refer to as unscheduled off-hire.

Drydocking. We must periodically drydock each of our vessels for inspection, repairs and maintenance and any modifications required to comply with industry certification or governmental requirements. Except for the *NR Satu*, which will go into drydock after its charter with PTNR, we drydock each of our vessels every two and a half to five years, depending upon the type of vessel and its age. In addition, a shipping society classification intermediate survey is performed on our LNG carriers between the second and third year of a five-year drydocking period. We capitalize a substantial portion of the costs incurred during drydocking and for the survey and amortize those costs on a straight-line basis from the completion of a drydocking or intermediate survey over the estimated useful life of the drydock. We expense as incurred costs for routine repairs and maintenance performed during drydocking or intermediate survey that do not improve or extend the useful lives of the assets. The number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

Voyage and Commission 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 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 read “Item 3—Key Information—Selected Historical Financial and Operating Data—Non-GAAP Financial Measures” for a reconciliation of TCE to total operating revenues (TCE’s most directly comparable financial measure in accordance with GAAP).

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, property costs and other general administration expenses. Prior to December 13, 2012, certain administrative expenses (including Golar’s stock-based compensation) have been principally carved out from the administrative expenses of Golar on the basis of Golar’s number of vessels. Administrative expenses also include a small amount of direct costs such as professional fees.

Interest Expense and Interest Income. Interest expense depends on our overall level of borrowing and may significantly increase when we acquire or lease ships. While an LNG carrier is undergoing retrofitting into a FSRU, interest expense incurred is capitalized on the cost of the 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.

Impairment of Long-Lived Assets. Our vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing the recoverability of our vessels’ carrying amounts, we must make assumptions regarding estimated future cash flows and estimates in respect of residual or scrap value. We estimate those future cash flows based on the existing service potential of our vessels. As of December 31, 2013, we did not perform an impairment test as no trigger events have been identified. However, in the event there were triggering events identified, we follow a traditional present value approach, whereby a single set of future cash flows is estimated. If the carrying value of a vessel were to exceed the undiscounted future cash flows, we would write the vessel down to its fair value, which is calculated by using a risk-adjusted rate of interest. Since our inception, our vessels have not been impaired.

Other Financial Items. Other financial items include financing fee arrangement costs such as commitment fees on credit facilities, amortization of deferred financing costs, market valuation adjustments for interest rate swap derivatives, foreign exchange gains/losses and foreign currency derivatives. The market valuation adjustment for our interest rate and foreign currency derivatives may have a significant impact on our results of operations and financial position although it does not materially impact our short-term liquidity unless we terminate these swaps before their maturity. Foreign exchange gains or losses arise due to the retranslation of our capital lease obligations and the cash deposits securing those obligations. 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.

Customers

In the years ended December 31, 2013, 2012 and 2011, revenues from the following customers accounted for over 10% of our revenues:

	2013			2012		2011		
				(dollars in thousands)				
Petrobras	\$	85,899	26%	\$	92,952	32%	\$ 93,741	41%
DUSUP		48,029	15%		48,328	17%	47,054	21%
Pertamina		37,302	11%		37,300	13%	37,829	17%
BG Group		66,341	20%		66,148	23%	25,101	11%
PTNR		65,478	20%		41,902	15%	—	—%
Gas Natural Aprovevisionamientos SDG S.A.		—	—%		—	—%	21,474	10%

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 considerably 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. Therefore, there has been 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 fully protected from crew cost increases. The impact of these increases will be mitigated to some extent by the following provisions in our existing 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 charter hire rates are payable in Brazilian Reais. The charter hire rates payable under the OSAs covers all vessel operating expenses, other than drydocking and insurance. The charter hire rates 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.
- The *Golar Freeze* and the *NR Satu* time charters provides for annual adjustments to the operating expense component of the charter hire rate as necessary to take into account cost increases.

A. Operating Results

Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012

	Year Ended December 31,			
	2013	2012	Change	% Change
	(dollars in thousands, except TCE and average daily vessel operating costs)			
Total operating revenues	\$ 329,190	\$ 286,630	\$ 42,560	15 %
Vessel operating expenses	52,390	45,474	6,916	15 %
Voyage and commission expenses	5,239	4,471	768	17 %
Administrative expenses	5,194	7,269	(2,075)	(29)%
Depreciation and amortization	66,336	51,167	15,169	30 %
Interest income	1,097	1,797	(700)	(39)%
Interest expense	(43,195)	(38,090)	(5,105)	13 %
Other financial items	(1,661)	(5,389)	3,728	(69)%
Taxes	(5,453)	(9,426)	3,973	(42)%
Net income	150,819	127,141	23,678	19 %
Non-controlling interest	(9,523)	(10,723)	1,200	(11)%
TCE (to the closest \$100)	117,800	116,700	1,100	1 %
Average daily vessel operating costs	18,172	17,749	423	2 %

Operating days: During the year ended December 31, 2013, our total operating days increased to 2,751 days, compared to 2,408 days in 2012, as a result of the acquisition of the *Golar Maria* in February 2013, partially offset by the impact of the scheduled drydockings of the *Golar Spirit*, the *Golar Winter* and the *Methane Princess* in 2013.

Operating revenues: Total operating revenues increased by \$42.6 million to \$329.2 million for the year ended December 31, 2013 compared to \$286.6 million in 2012. This is primarily due to:

- \$26.1 million of revenue contribution for the *Golar Maria* following her acquisition in February 2013;
- a full year of revenues of the *NR Satu*, as compared to approximately eight months for the same period in 2012, following her retrofit to an FSRU and the commencement of her long-term charter with PTNR in May 2012 which resulted in additional revenues of \$23.6 million in 2013; and
- \$2.7 million additional revenues arising from the increased hire rates under the Petrobras charters (in accordance with charterer's bi-ennial review to reflect inflation increases) with respect to the *Golar Winter* and the *Golar Spirit*, effective from April 2013 and increased hire rates for the *Golar Winter* from August 2013 pursuant to the completion of her modification works in July 2013.

These were partially offset by a decrease in operating revenues of \$14.9 million arising from the scheduled drydockings of the *Golar Spirit*, the *Golar Winter* and the *Methane Princess*.

Time charter equivalent earnings:

	Year Ended December 31,		Change	% Change
	2013	2012		
Calendar days less scheduled off-hire days	2,751	2,417	334	14%
Average daily TCE (to the closest \$100)	\$ 117,800	\$ 116,700	\$ 1,100	1%

The increase of \$1,100 in the average daily time charter equivalent rate, or TCE, for the year ended December 31, 2013 to \$117,800 compared to \$116,700 in 2012, is primarily as a result of the *NR Satu*'s additional revenues representing a full year of revenues compared to only eight months for the same period in 2012 at higher than average rate and increase in hire rates under the Petrobras' charters as described above, largely offset by the *Golar Maria*'s lower than average daily TCE. Whilst the revenue contribution from the *Golar Maria* was lower, because she is operating as an LNG carrier (impacting the average daily TCE), her corresponding vessel operating expenses were also lower.

Vessel operating expenses: The increase of \$6.9 million in vessel operating expenses to \$52.4 million for the year ended December 31, 2013, as compared to \$45.5 million in 2012, was principally due to:

- incremental operating costs relating to the *Golar Maria* of \$4.6 million since her acquisition in February 2013;
- increase in ship management fees by \$1.9 million as a result of the agreed upward adjustment effective from January 2013 as recharged by Golar to us for the provision of technical and commercial management of our vessels;
- the *NR Satu* being fully operational as an FSRU for the year ended December 31, 2013, as compared to approximately eight months for the same period in 2012 when she was undergoing her FSRU retrofitting; and
- unscheduled maintenance work on the *Golar Grand* resulting in higher repairs and maintenance costs in 2013.

Accordingly, average daily vessel costs for the year ended December 31, 2013 was \$18,172, compared to \$17,749 in 2012.

Voyage and commission expenses: Voyage and commission expenses primarily relate to fuel costs associated with commercial waiting time, vessel positioning costs, charterhire expenses and brokers' commissions. When a vessel is on-hire, fuel costs are typically paid by the charterer, whereas during periods of commercial waiting time, fuel costs are paid by us. Voyage and commission expenses increased by \$0.8 million to \$5.2 million for the year ended December 31, 2013 compared to \$4.5 million in 2012 due to (i) the *Golar Winter*, the *Golar Mazo* and the *Methane Princess* incurring positioning costs to and from the shipyard at our cost for their scheduled drydockings in April 2013; and (ii) a full year of brokers' commissions compared to eight months in the same period in 2012 relating to the *NR Satu* following the commencement of her charter in May 2012.

Administrative expenses: Administrative expenses decreased by \$2.1 million, to \$5.2 million for the year ended December 31, 2013, compared to \$7.3 million in 2012.

We are party to a management and services agreement with Golar Management, under which Golar Management provides certain management and administrative services to us and is reimbursed for costs and expenses incurred in connection with these services at a cost plus 5% basis. Under this arrangement, for the year ended December 31, 2013 and 2012, we incurred charges of \$2.6 million and \$2.9 million, respectively. Furthermore, in relation to the Dropdown Predecessor, for the historic periods prior to the acquisition of the *NR Satu* and the *Golar Grand* in 2012, administrative expenses were carved out from the administrative expenses of Golar (including an allocation for stock-based compensation costs) and a portion was allocated to us based on Golar's fleet size which amounted to \$1.4 million for the year ended December 31, 2012. The balance of administrative expenses amounting to \$2.6 million and \$3.0 million for the years ended December 31, 2013 and 2012, respectively, relate to corporate expenses such as legal, accounting and regulatory compliance costs.

Depreciation and Amortization: Depreciation and amortization increased by \$15.2 million to \$66.3 million for the year ended December 31, 2013, compared to \$51.2 million in 2012 primarily due to (i) depreciation of the *Golar Maria* following her acquisition in February 2013; (ii) amortization of the higher capitalized drydocking costs of the *Golar Spirit*, the *Golar Winter*, the *Golar Mazo* and the *Methane Princess* pursuant to the completion of their drydockings during the year ended December 31, 2013; (iii) amortization of the cost of modification works of the *Golar Winter* pursuant to the completion of her agreed modification in July 2013; and (iv) a full year's depreciation in 2013 compared to approximately eight months for the FSRU retrofitting expenditure relating to the *NR Satu* following the completion of her retrofitting in April 2012.

Interest income: Interest income decreased by \$0.7 million to \$1.1 million for the year ended December 31, 2013, compared to \$1.8 million for the same period in 2012. This was mainly due to the decrease in LIBOR rates. Interest income arose principally from our restricted cash balances in respect of debt and lease arrangements.

Interest expense: Interest expense increased by \$5.1 million to \$43.2 million for the year ended December 31, 2013, compared to \$38.1 million for the same period in 2012. This was principally due to:

- the acquisition of the *NR Satu* in mid-July 2012, which was originally financed with a vendor financing loan at the time of the acquisition. This was subsequently repaid in December 2012 with the proceeds from the *NR Satu* debt facility. Accordingly, the *NR Satu*-related interest expense increased by \$1.0 million to \$5.9 million for the year ended December 31, 2013, compared to the same period in 2012. This was largely due to the recognition of only 5.5 months of interest expense on the *NR Satu*-related debt during 2012, in contrast to a full year in 2013;

- the impact of the new Golar Partners Operating facility secured against the *Golar Grand* and the *Golar Winter*, entered into in June 2013. The new facility is larger and accrues interest at a higher rate than the two leases it replaces;
- we incurred an additional \$1.1 million of interest expense on the Golar Maria facility and an additional \$2.2 million of interest expense on the related interest rate swap which we assumed upon acquisition of the *Golar Maria* in February 2013; and
- in relation to our Dropdown Predecessor, for the historic periods prior to acquisition of the *NR Satu* and the *Golar Grand* in 2012, we recognized \$0.6 million of carve-out adjustments compared to \$nil in 2013. Please read Note 20 in the notes to our consolidated and combined carve-out financial statements for a description of these loans.

Other financial items:

	Year Ended December 31,			
	2013	2012	Change	% Change
	(dollars in thousands)			
Mark-to-market gains for interest rate swaps	\$ 12,845	\$ 1,328	\$ 11,517	867 %
Interest expense on un-designated interest rate swaps	(8,188)	(6,609)	(1,579)	24 %
Unrealized and realized gains/(losses) on interest rate swaps	4,657	(5,281)	9,938	(188)%
Net foreign currency adjustments for retranslation of lease related balances and mark-to-market adjustments for the Golar Winter Lease related currency swap derivative	2,245	1,602	643	40 %
Amortization of deferred financing costs	(5,828)	(1,123)	(4,705)	419 %
Other	(2,735)	(587)	(2,148)	366 %
Other financial items, net	<u>\$ (1,661)</u>	<u>\$ (5,389)</u>	<u>\$ 3,728</u>	<u>(69)%</u>

Net realized and unrealized gains (losses) on interest rate swap agreements. Net realized and unrealized gains/(losses) on interest rate swaps resulted in a net gain of \$4.7 million for the year ended December 31, 2013, compared to a net loss of \$5.3 million in 2012. A key factor contributing to the net unrealized and realized gain of \$4.7 million for the year ended December 31, 2013 is the increase in long-term swap rates during 2013.

As of December 31, 2013, our interest rate swaps portfolio had a notional value of \$997.6 million (excluding the cross-currency interest rate swap), 29% of which qualified for hedge accounting. Accordingly, a further \$5.5 million unrealized gain was accounted for as a change in other comprehensive income, which would have otherwise been recognized in earnings for the year ended December 31, 2013.

We are also party to a cross currency interest rate swap with a notional value of \$227.2 million, which was designated as a cash flow hedge. A \$1.1 million gain was accounted for as a change in other comprehensive income which would have otherwise been recognized in earnings for the year ended December 31, 2013.

Included within net realized and unrealized gains and losses for the year ended December 31, 2013 and 2012, are \$nil and a net gain of \$0.1 million, respectively, representing amounts carved out from Golar and allocated to us on the basis of our proportion of Golar's debt (relating to our Dropdown Predecessor in respect of the *NR Satu* and the *Golar Grand*).

Net foreign exchange gains and losses on retranslation of lease related balances including the Golar Winter lease currency swap mark-to-market gains and losses. Foreign exchange gains and losses arise principally as a result of the retranslation of our capital lease obligations, the cash deposits securing these obligations and the movement in the fair value of the currency swap used to hedge the Golar Winter lease. We incurred a net foreign exchange gain of \$2.2 million and \$1.6 million for the years ended December 31, 2013 and 2012, respectively. This is mainly due to the appreciation of the US dollar against the British Pounds in the six month period through to June 2013 when the Golar Winter lease and the related foreign currency swap were terminated.

Amortization of deferred financing costs. Amortization of deferred financing costs increased by \$4.7 million to \$5.8 million for the year ended December 31, 2013 compared to \$1.1 million in 2012. This was principally due to the recognition of higher amortization expense in respect of deferred financing costs arising on our high-yield bonds, which were issued in October 2012 and the NR Satu facility, which was entered into in December 2012, and additional amortization expenses on the \$275 million Golar Partners Operating credit facility entered into in June 2013. In 2012, we recognized approximately two months of amortization of deferred financing costs arising on our high yield bonds and a week on the NR Satu facility. There was no comparable cost on the Golar Partners Operating credit facility in 2012.

Other items. Other items represent, among other things, bank charges, foreign currency differences arising on retranslation of foreign currency and gains or losses on short term foreign currency forward contracts. Included within other items for the year ended December 31, 2013 are commitment fees on the Golar Partners Operating credit facility of \$1.2 million. In addition, included within other items in 2012 is a \$0.6 million foreign exchange gain representing amounts carved out from Golar.

Income taxes: Income taxes relate primarily to the taxation of our U.K. based vessel operating companies, our Brazilian subsidiary established in connection with our charters with Petrobras and our Indonesian subsidiary related to the ownership and management of the NR Satu with respect to its charter with PTNR. However, the tax exposure in Indonesia is intended to be mitigated by revenue due under the charter. This tax element of the time charter rate was established at the beginning of the time charter, and shall be adjusted only where there is a change in Indonesian tax laws or an invalidity of certain stipulated tax assumptions.

Net income: As a result of the foregoing, we earned net income of \$150.8 million and \$127.1 million for the years ended December 31, 2013 and 2012, respectively.

Non-controlling interest: Non-controlling interest refers to the 40% interest in the Golar Mazo.

Year Ended December 31, 2012 Compared with the Year Ended December 31, 2011

	Year Ended December 31,			
			Change	% Change
	2012	2011		
	(dollars in thousands, except TCE and average daily vessel operating costs)			
Total operating revenues	\$ 286,630	\$ 225,452	\$ 61,178	27 %
Vessel operating expenses	45,474	39,212	6,262	16 %
Voyage and commission expenses	4,471	785	3,686	470 %
Administrative expenses	7,269	8,235	(966)	(12)%
Depreciation and amortization	51,167	45,316	5,851	13 %
Interest income	1,797	1,640	157	10 %
Interest expense	(38,090)	(19,581)	(18,509)	95 %
Other financial items	(5,389)	(18,521)	13,132	(71)%
Taxes	(9,426)	(45)	(9,381)	20,847 %
Net income	127,141	95,397	31,744	33 %
Non-controlling interest	(10,723)	(9,863)	(860)	9 %
TCE (to the closest \$100)	116,700	103,600	13,100	13 %
Average daily vessel operating costs	17,749	15,347	2,402	16 %

Operating days: During the year ended December 31, 2012, our total operating days increased to 2,408 days, compared to 2,162 days in 2011, as a result of the re-delivery of the NR Satu in May 2012 following the completion of its FSRU retrofitting.

Operating Revenues: Operating revenues increased by \$61.2 million to \$286.6 million for the year ended December 31, 2012, compared to \$225.5 million in 2011, primarily as a result of:

- \$41.9 million of additional revenue in 2012 representing approximately 8 months of revenues of the NR Satu following her successful retrofit to an FSRU and commencement of her long-term charter with PTNR from May 2012. There were no corresponding revenues in 2011 as the NR Satu was principally undergoing her FSRU retrofitting; and

- \$19.1 million of additional revenues from the *Golar Grand* in 2012 as compared to 2011 due to a higher charter rate under its current time charter with BG Group which started in the fourth quarter of 2011 compared to when it was trading on the spot market in 2011.

The above are partially offset by a decrease in operating revenues of \$2.0 million arising from the impact of the *Golar Spirit*'s planned off-hire from December 11, 2012, when the vessel commenced its first drydock as an FSRU.

Time charter equivalent earnings:

	Year Ended December 31,		Change	% Change
	2012	2011		
Calendar days less scheduled off-hire days	2,417	2,169	248	11%
Average daily TCE (to the closest \$100)	\$ 116,700	\$ 103,600	\$ 13,100	13%

The increase of \$13,100 in average daily TCEs for the year ended December 31, 2012 to \$116,700, compared to \$103,600 in 2011, is primarily due to the commencement of the *NR Satu*'s charter to PTNR, the *Golar Grand*'s improved charter rate in 2012 and the increase in hire rates under the Petrobras charters for the *Golar Spirit* and the *Golar Winter* which was effective for the full year 2012 compared to nine months in 2011.

Vessel Operating Expenses: Vessel operating expenses increased by \$6.3 million to \$45.5 million for the year ended December 31, 2012, compared to \$39.2 million for the same period in 2011, principally as a result of:

- the increase in operating costs relating to the *NR Satu* following her completion of her FSRU retrofitting in April 2012 and commencement of her long-term charter with PTNR from May 2012 as compared to the same period in 2011 when she was primarily undergoing her FSRU retrofitting; and
- higher spares purchases during the maintenance window on the two FSRUs operating in Brazil in 2012.

Accordingly, average daily vessel costs for the year ended December 31, 2012 was \$17,749, compared to \$15,347 in 2011.

Voyage Expenses: Voyage expenses primarily relate to fuel costs associated with commercial waiting time, vessel positioning costs and charter-hire expenses. When a vessel is on-hire, fuel costs are typically paid by the charterer, whereas during periods of commercial waiting time, fuel costs are paid by us. Voyage expenses increased by \$3.7 million to \$4.5 million for the year ended December 31, 2012, compared to \$0.8 million in 2011. The increase was due to (i) the *Golar Spirit* incurring positioning costs from Brazil to the shipyard at our cost for its drydocking which commenced in December 2012, and (ii) brokers' commissions relating to the *NR Satu* following commencement of its charter in May 2012. We incurred no comparable cost in 2011 in respect of the *NR Satu*, as she was undergoing retrofitting.

Administrative Expenses: Administrative expenses decreased by \$1.0 million to \$7.3 million for the year ended December 31, 2012, as compared to \$8.2 million for the year ended December 31, 2011.

Since March 30, 2011, we have been party to a management and services agreement with Golar Management, under which Golar Management provides certain management and administrative services to us and is reimbursed for reasonable costs and expenses incurred in connection with these services at a cost plus 5% recharge basis. Under this arrangement, for the year ended December 31, 2012 and 2011, we incurred recharges of \$2.9 million and \$1.6 million, respectively. Furthermore, for historic periods prior to our IPO in April 2011 and with respect to the *Golar Freeze*, the *NR Satu* and the *Golar Grand*, for periods prior to their respective acquisition, administrative expenses were carved out from the administrative expenses of Golar (including an allocation for stock-based compensation costs) and a portion was allocated to us based on the size of our fleet that amounted to \$1.4 million and \$4.9 million for the years ended December 31, 2012 and 2011, respectively.

The impact of the decrease of the management recharges and carve-out administrative expenses is partially offset by higher corporate expenses, such as legal, accounting, regulatory compliance and other incremental costs incurred as a result of operating as a listed public entity following our IPO in April 2011. These corporate expenses amounted to \$3.0 million and \$1.7 million for the years ended December 31, 2012 and 2011, respectively.

Depreciation and amortization: Depreciation and amortization expense increased by \$5.9 million to \$51.2 million for the year ended December 31, 2012, compared to \$45.3 million in 2011 mainly due to the commencement of depreciation relating to the *NR Satu* FSRU retrofitting expenditures following the completion of her retrofitting in April 2012.

Interest income: Interest income increased by \$0.2 million to \$1.8 million for the year ended December 31, 2012, compared to \$1.6 million in 2011, primarily as a result of the increase in the restricted cash balances. Interest income arose principally from our restricted cash balances in respect of debt and lease arrangements.

Interest expense: Interest expense increased by \$18.5 million to \$38.1 million for the year ended December 31, 2012, compared to \$19.6 million in 2011 primarily due to \$13.6 million additional interest cost associated with the vendor loans from Golar in connection with the acquisition of the *Golar Freeze* in October 2011 and the *NR Satu* in July 2012. The \$222.3 million vendor financing loan in respect of the *Golar Freeze* was repaid in October 2012 with the proceeds from the issuance of our high-yield bonds, which generated additional interest costs of \$3.3 million in 2012. The \$155 million vendor financing loan in respect of the *NR Satu* was repaid in December 2012 with the proceeds from the NR Satu Facility. Please read Note 20 in the notes to our consolidated and combined carve-out financial statements for a description of these loans.

Other financial items:

	Year Ended December 31,			
	2012	2011	Change	% Change
	(dollars in thousands)			
Mark-to-market gains/(losses) for interest rate swaps	\$ 1,328	\$ (9,427)	\$ 10,755	(114)%
Interest expense on un-designated interest rate swaps	(6,609)	(5,788)	(821)	14 %
Unrealized and realized gains/(losses) on interest rate swaps	(5,281)	(15,215)	9,934	(65)%
Net foreign currency adjustments for retranslation of lease related balances and mark-to-market adjustments for the Golar Winter Lease related currency swap derivative	1,602	(1,235)	2,837	(230)%
Other	(1,710)	(2,071)	361	(17)%
Other financial items, net	<u>\$ (5,389)</u>	<u>\$ (18,521)</u>	<u>\$ 13,132</u>	<u>(71)%</u>

Net realized and unrealized (losses) gains on interest rate swap agreements. Net unrealized and realized losses on mark-to-market adjustments for interest rate swap derivatives decreased by \$9.9 million to \$5.3 million in December 31, 2012, compared to \$15.2 million in 2011. The decrease is primarily due to the improvement in the mark-to-market adjustment for interest rate swap derivatives, from a loss of \$9.4 million in 2011 to a gain of \$1.3 million in 2012. This is largely due to a fairly stable long-term interest rate outlook during 2012. In contrast the outlook during 2011 was that long-term interest rates were going to fall.

As of December 31, 2012, our interest rate swaps portfolio (excluding the cross currency interest rate swaps) had a notional value of \$532.4 million, 45% of which qualified for hedge accounting. Accordingly, an additional \$1.1 million gain was accounted for as a change in other comprehensive income which would have otherwise been recognized in earnings for the year ended December 31, 2012.

We also entered into a cross currency interest rate swap with a notional value of \$227.2 million which was designated as a cash flow hedge. A \$5.1 million loss was accounted for as a change in other comprehensive loss which would have otherwise been recognized in earnings for the year ended December 31, 2012.

Included within mark-to-market adjustments for interest rate swaps is an unrealized gain of \$0.1 million and \$3.3 million for the years ended December 31, 2012 and 2011, respectively, representing amounts carved out and allocated to us on the basis of our proportion of Golar's debt.

Net foreign exchange gains and losses on retranslation of lease related balances including currency swap mark-to-market gains and losses. Unrealized foreign exchange gains and losses of \$1.6 million arose primarily as a result of the retranslation of our capital lease obligations and the movement in the fair value of the related currency swap used to hedge the *Golar Winter* lease obligation. Of the \$1.6 million unrealized net foreign exchange gain in 2012, an unrealized gain of \$7.2 million (2011: \$0.9 million unrealized loss) arose in respect of the mark-to-market valuation of the *Golar Winter* currency swap representing the movement in the fair value. This swap hedges the currency risk arising from lease rentals due in respect of the *Golar Winter* GBP lease rental obligation, by translating GBP payments into U.S. Dollar payments at a fixed GBP/USD exchange rate (i.e. the Partnership receives GBP and pays U.S. Dollars). The unrealized loss on retranslation of the lease obligation in respect of the *Golar Winter* Lease, which this swap hedges, was \$5.7 million (2011: \$0.1 million unrealized gain). The unrealized loss arose due to the depreciation of the U.S. Dollar against the GBP during the year. Included within the total for 2011, was a currency swap mark-to-market loss of \$0.5 million that has been carved out from *Golar* relating to our Dropdown Predecessor.

Other items. Other items represent, among other things, bank charges, the amortization of debt related expenses, foreign currency differences arising on retranslation of foreign currency and gains or losses on short term foreign currency forward contracts. Included within other items is a \$0.6 million foreign exchange gain (2011: \$0.6 million loss) representing amounts carved out from *Golar*.

Income taxes: Income taxes relate primarily to the taxation of our U.K. based vessel operating companies, our Brazilian subsidiary established in connection with our Petrobras long-term charters and our Indonesian subsidiary related to the ownership and management of the *NR Satu* with respect to our long-term charter with PTNR. However, the tax exposure in Indonesia is intended to be mitigated by revenue due under the charter. This tax element of the time charter rate was established at the beginning of the time charter, and shall be adjusted only where there is a change in Indonesian tax laws or an invalidity of certain stipulated tax assumptions. Accordingly, the increase of \$9.4 million in income taxes for the year ended December 31, 2012 was primarily due to \$7.4 million tax expense relating to our Indonesian subsidiary; and \$1.5 million from the decrease in the offsetting credits, from a credit of \$2.4 million in 2011 to \$0.9 million in 2012, relating to the amortization of deferred tax benefit on intra-group transfers in relation to the *Golar Freeze* and *NR Satu* which were carved out from the results of *Golar* for the period prior to their acquisition dates.

Net income: As a result of the foregoing, we earned net income of \$127.1 million in 2012, compared to \$95.4 million in 2011.

Non-controlling interest: Non-controlling interest refers to the 40% interest in the *Golar Mazo*.

B. Liquidity and Capital Resources

Liquidity and Cash Needs

We operate in a capital-intensive industry and we expect to finance the purchase of additional vessels and other capital expenditures through a combination of borrowings from, and leasing arrangements with, commercial banks, cash generated from operations and debt and equity financings. In addition to paying distributions, our other short-term liquidity requirements relate to servicing interest on our debt, scheduled repayments of long-term debt, funding working capital requirements, including drydocking, and maintaining cash reserves against fluctuations in operating cash flows.

Our funding and treasury activities are intended to maximize investment returns while maintaining appropriate liquidity. Cash and cash equivalents are held primarily in U.S. Dollars with some balances held in British Pounds. We have not used derivative instruments other than for interest rate and currency risk management purposes.

Short-term Liquidity and Cash Requirements

Sources of short-term liquidity include cash balances, restricted cash balances, short-term investments, available amounts under revolving credit facilities and receipts from our charters. Revenues from our time charters are generally received monthly in advance. In addition we benefit from low inventory requirements (consisting primarily of fuel, lubricating oil and spare parts) due to fuel costs, which represent the majority of these costs being paid for by the charterer under time charters.

As of December 31, 2013, our cash and cash equivalents, including restricted cash and short-term investments, was \$127.6 million and we had access to undrawn borrowing facilities of \$155 million. Our restricted cash balances contribute to our short and medium term liquidity as they are used to fund payment of certain loans and capital leases which would otherwise be paid out of our cash balances. Since December 31, 2013, significant transactions impacting our cash flows include:

- In February 2014, we paid a cash distribution of \$0.52 per unit (\$34.0 million in the aggregate) with respect to the quarter ended December 31, 2013;
- In March 2014, we acquired interests in the company that owns and operates the *Golar Igloo*, from Golar for a purchase price of \$310 million, which was financed by our assumption of \$161.3 million of debt relating to the vessel, drawdowns of \$90 million from our existing revolving credit facilities which we prepaid in December 2013 and the net proceeds from our December 2013 Equity Offerings; and
- We made \$19.2 million of scheduled debt repayments and paid interest on our high-yield bonds of \$7.4 million.

As of December 31, 2013, the Partnership's current liabilities exceeded current assets by \$104.7 million. Included within current liabilities as of December 31, 2013, are (i) mark-to-market valuations of swap derivatives of \$31.9 million. The swaps mature between 2014 and 2020 and we have no intention of terminating these swaps before their maturity and hence realizing these liabilities; (ii) deferred drydocking and operating cost revenue of \$17.9 million, which relates to charterhire received in advance from our charterers, thus, no cash outflows are expected in respect of these liabilities; and (iii) a debt facility in respect of the *Golar Maria* of \$84.5 million that matures in December 2014 and is, therefore, presented as current debt. We are currently in discussions with several lending banks to refinance this facility ahead of its expiration. We have not in the past experienced significant difficulties in our ability to refinance our credit facilities, and we do not anticipate that we will have significant difficulties refinancing the *Golar Maria* facility prior to its expiration.

Following an intense program of drydockings in 2013, the next scheduled drydockings are not due until late 2014 or early 2015. Therefore, we expect improved operating results for 2014. Accordingly, as of April 25, 2014, we believe our current resources, including our undrawn credit facilities of \$65 million, are sufficient to meet our working capital requirements for at least the next twelve months.

Medium to Long-term Liquidity and Cash Requirements

Our medium to long-term liquidity requirements include funding the acquisition of new vessels, maintenance capital expenditures, the repayment of long-term debt and the payment of distributions to our unitholders, to the extent we have sufficient cash from operations after the establishment of cash reserves and payment of fees.

Generally, our long-term sources of funds will be cash from operations, long-term bank borrowings and other debt and equity financings. Because we will distribute the majority of our available cash, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and other expansion capital expenditures. Occasionally we may enter into vendor financing arrangements with Golar to provide intermediate financing for capital expenditures until longer-term financing is obtained, at which time we will use all or a portion of the proceeds from the longer-term financings to repay outstanding amounts due under these arrangements.

Cash Flows

The following table summarizes our net cash flows from operating, investing and financing activities for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Net cash provided by operating activities	\$ 148,679	\$ 189,343	\$ 156,972
Net cash used in investing activities	(84,052)	(78,798)	(102,881)
Net cash used in financing activities	(27,854)	(93,436)	(58,431)
Net increase (decrease) in cash and cash equivalents	36,773	17,109	(4,340)
Cash and cash equivalents at beginning of year	66,327	49,218	53,558
Cash and cash equivalents at end of year	103,100	66,327	49,218

In addition to our cash and cash equivalents noted above, as of December 31, 2013, we had short-term restricted cash and investments of \$24.5 million that represents balances retained on restricted accounts in accordance with certain lease and loan requirements. These balances act as security for, and over time are used to repay lease and loan obligations. As of December 31, 2013, our long-term restricted cash balances amounted to \$145.7 million and represented security for our *Methane Princess* capital lease obligation. They will be released over time in connection with the repayment of our lease obligation.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$148.7 million, \$189.3 million and \$157.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Cash provided by operating activities decreased by \$40.7 million to \$148.7 million for the year ended December 31, 2013, compared to \$189.3 million in 2012. This was primarily due to the following:

- decrease in operating revenues of \$12.8 million in 2013 arising from off-hire days incurred in connection with four scheduled drydockings during 2013 compared to one in 2012;
- increase in drydocking expenditure by \$42.7 million due to four scheduled drydockings in the year ended December 31, 2013 compared to only one in the comparative period in 2012; and
- higher interest costs in 2013 associated with the borrowings under the NR Satu facility, the assumed Golar Maria facility from February 2013 and the Golar Partners Operating credit facility.

The decrease was partially offset by an improvement in overall trading through the contributions from: (i) the *NR Satu* earning revenues for the full year in 2013 as compared to approximately eight months in 2012 following the commencement of her charter in May 2012; (ii) the *Golar Maria*, following her acquisition in February 2013; (iii) the increased hire rates under the Petrobras charters (in accordance with charterer's bi-ennial review to reflect inflation increases) with respect to the *Golar Winter* and the *Golar Spirit*, effective from April 2013; and (iv) increased hire rates for the *Golar Winter* from August 2013 pursuant to the completion of her modification works in August 2013.

The increase of \$32.4 million in 2012, compared to 2011, was primarily due to (i) the contribution from the *NR Satu* as she commenced her time charter to PTNR from May 2012 following the completion of her FSRU retrofitting in April 2012; and (ii) the *Golar Grand* operating at improved charter rates in 2012 compared to 2011.

Net Cash Used in Investing Activities

Net cash used in investing activities of \$84.1 million in 2013 was primarily due to the \$119.9 million of cash consideration paid (net of cash acquired) in connection with the acquisition of the *Golar Maria* in February 2013 and additions to vessels and equipment relating to the *Golar Winter* modification. This was partially offset by the release of the restricted cash relating to the *Golar Grand* lease following the termination of the lease in June 2013 and the release of restricted cash deposits relating to the Mazo facility which matured in June 2013.

Net cash used in investing activities of \$78.8 million in 2012 arose mainly due to additions to vessels and equipment of \$72.3 million primarily in relation to the FSRU retrofitting of the *NR Satu* which was completed in April 2012 and the increase in restricted cash deposits relating to the NR Satu facility.

Net cash used in investing activities of \$102.9 million in 2011 arose primarily due to additions to vessels and equipment of \$100.3 million in relation to the FSRU retrofitting of the *NR Satu*.

Net Cash Used in Financing Activities

Net cash used in financing activities is principally generated from funds from equity offerings, new debt and lease financings and contributions from owners, partially offset by debt repayments and repayments of invested equity.

Net cash used in financing activities during the year ended December 31, 2013 of \$27.9 million was primarily due to the following:

- net proceeds from the February 2013 and December 2013 Equity Offerings, which together raised \$280.6 million;

- proceeds of \$230 million drawn from the new Golar Partners \$275 million credit facility in connection with the refinancing of the *Golar Winter* and the *Golar Grand* in June 2013 to acquire the legal title of these vessels. The proceeds were put towards settling the termination sums payable of \$251 million on the Golar Winter and Golar Grand Leases (including the related Golar Winter currency swap);
- draw down and the subsequent repayment of the \$20 million sponsor credit facility;
- repayment of long-term debt and lease obligations of \$152.2 million; and
- payment of cash distributions during the year of \$130.5 million (of which \$10.6 million refers to distributions to our non-controlling interests).

Net cash used in financing activities during the year ended December 31, 2012 of \$93.4 million was mainly due to the following:

- payment of cash distributions to our unitholders during the year of \$77.6 million;
- proceeds from the July 2012 Equity Offerings and November 2012 Equity Offerings of \$401.9 million;
- our acquisition of Golar's interest in certain subsidiaries which own and operate the *NR Satu*. The purchase consideration was \$385 million for the vessel (plus working capital adjustments of \$3.0 million), resulting in total purchase consideration of approximately \$388.0 million, of which \$230.0 million was financed from the proceeds of the July 2012 Equity offerings and \$155.0 million vendor financing in the form of the Golar LNG vendor financing loan;
- our acquisition of Golar's interests in subsidiaries which lease and operate the *Golar Grand*. The purchase consideration was \$265.0 million for the vessel (plus working capital adjustments of \$2.6 million) net of the assumed capital lease obligation of \$90.8 million, resulting in total purchase consideration of \$176.8 million of which \$175.0 million was financed from the proceeds of the November 2012 Equity Offerings;
- proceeds from the high-yield bond issuance of \$227.3 million, \$222.3 million of which was used to repay the Golar LNG vendor financing loan relating to the *Golar Freeze* acquisition;
- proceeds from the NR Satu facility of \$155.0 million which was used to repay the Golar LNG vendor financing loan relating to the *NR Satu* acquisition;
- repayments of long-term debt and lease obligations of \$427.2 million, of which \$377.3 million relates to the settlement of the vendor financing loans discussed above; and
- contributions from the Dropdown Predecessor's funding of \$53.6 million.

Net cash used in financing activities during the year ended December 31, 2011 of \$58.4 million was mainly relating to the following:

- repayments of long-term debt and lease obligations of \$65.0 million;
- payment of cash distributions to our unitholders during the year of \$29.3 million pursuant to our IPO in April 2011;
- payment of dividends relating to the Dropdown Predecessor and repayment of owner's funding; and
- acquisition of Golar's 100% ownership interest in certain subsidiaries which own and operate the *Golar Freeze* and hold the secured bank debt related to the *Golar Freeze*. The purchase consideration was \$330.0 million for the vessel and \$9.0 million of working capital adjustments net of the assumed bank debt of \$108.0 million, resulting in total purchase consideration of approximately \$231.0 million, of which \$222.3 million was financed by vendor financing in the form of the Golar LNG facility.

Borrowing Activities

Long-Term Debt. As of December 31, 2013 and 2012, our long-term debt consisted of the following:

	December 31,	
	2013	2012
	(in thousands)	
Mazo facility	\$ —	\$ 13,521
Golar Maria facility	84,525	—
High-yield bonds	214,100	233,804
Golar LNG Partners credit facility	160,500	247,500
Golar Partners Operating credit facility	215,000	—
Golar Freeze facility	74,646	89,647
NR Satu facility	140,700	155,000
Total	<u>\$ 889,471</u>	<u>\$ 739,472</u>

Our outstanding debt of \$889.5 million as of December 31, 2013, is repayable as follows:

Year Ending December 31,	(in thousands)
2014	\$ 156,363
2015	99,782
2016	62,550
2017	276,651
2018	230,942
2019 and thereafter	63,183
Total	<u>\$ 889,471</u>

As of December 31, 2013, the margins we pay under our bank loan agreements are above LIBOR at a fixed or floating rate ranging from 0.95% to 3.50%. The margin related to our high-yield bond is 5.20% above NIBOR.

Mazo Facility

In November 1997, Osprey, Golar's predecessor, entered into a secured loan facility of \$214.5 million in respect of the vessel, the *Golar Mazo*. The Mazo facility matured in June 2013 and the corresponding restricted cash balances were released to cash.

Golar Maria Facility

The Golar Maria facility is secured against the *Golar Maria* and was assumed by us upon the acquisition of the vessel from Golar in February 2013. The amount originally drawn down under the facility was \$120 million, but the balance outstanding under the facility at the date of acquisition was \$89.5 million. The Golar Maria facility bears interest at LIBOR plus a 0.95% margin and is repayable in quarterly installments with a final balloon payment of \$80.8 million due in December 2014. As of December 31, 2013, we had \$84.5 million of borrowings outstanding under the Golar Maria facility, which is currently captured within "Current liabilities" in the consolidated balance sheet. We expect to refinance this facility ahead of its expiration.

High-Yield Bonds

In October 2012, we completed the issuance of NOK 1,300 million senior unsecured bonds that mature in October 2017. The bonds were in denominations of NOK 1 million each. The bonds bear interest at a rate equal to 3 months NIBOR plus a margin of 5.20% payable quarterly. The aggregate principal amount of the bonds was equivalent to approximately \$227 million at the time they were issued. All interest and principal payments on the bonds were swapped into U.S. dollars, having the effect of fixing interest payments at 6.485%. The net proceeds from the bonds were used primarily to repay the \$222.3 million 6.75% loan due October 2014 from Golar that was utilized to purchase the *Golar Freeze*. The bonds were listed on Oslo Bors in December 2012. The bonds were not allowed to be purchased and are not allowed to be transferred to investors located in the U.S. or U.S. persons except to Qualified Institutional Buyers within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended.

Under the bond agreement, we are obligated to comply with certain restrictive covenants that will require the prior written consent of the lenders or otherwise restrict our ability to, among other things:

- merge or consolidate with any other person;
- de-merge or carry out a corporate reorganization splitting the Partnership into two or more separate entities;
- change or cease to carry on the general nature or scope of our business;
- sell or dispose of all or a substantial part of our assets or operations;
- enter into any transaction with related parties other than on an arms' length basis; and
- change our type of organization or jurisdiction of organization

The financial covenants under the bond agreement require us to maintain as of the end of each quarterly period during and as of the end of each fiscal year:

- free liquid assets of at least \$25 million from July 1, 2013 to June 30, 2014, increasing to \$30 million from July 1, 2014 until the maturity date;
- a minimum EBITDA to debt service ratio of 1.15:1; and
- a maximum net debt to EBITDA ratio of 6.5:1.

In addition, we are required to provide the documents and information necessary to maintain the listing and quotation of the bonds on the Oslo Bors.

Golar LNG Partners Credit Facility

In September 2008, we entered into a revolving credit facility with a banking consortium to refinance existing loan facilities in respect of two of our vessels, the *Methane Princess* and the *Golar Spirit* (or the Golar LNG Partners credit facility). The loan is secured against the *Golar Spirit* and assignment to the lending bank of a mortgage given to us by the lessors of the *Methane Princess* and the *Golar Spirit*, with a second priority charge over the *Golar Mazo*.

The Golar LNG Partners credit facility accrues floating interest at a rate per annum equal to LIBOR plus a margin of 1.15%. The initial draw down amounted to \$250 million in November 2008. The total amount outstanding at the time of refinancing, in respect of the two vessels' facilities was \$202.3 million. The revolving credit facility is a reducing facility which decreases by \$2.5 million per quarter from June 30, 2009 through December 31, 2012 and by \$5.5 million per quarter from March 31, 2013 through December 31, 2017. As of December 31, 2013, we had an undrawn balance of \$65 million on this revolving credit facility. The loan has a term of ten years and is repayable in quarterly installments commencing in May 2009 with a final balloon payment of \$137.5 million due in March 2018, its maturity date.

As of December 31, 2013 and 2012, we had long-term debt outstanding of \$160.5 million and \$247.5 million, respectively, under the Golar LNG Partners credit facility.

The Golar LNG Partners credit facility contains restrictive covenants that require the prior written consent of the lenders or otherwise restrict our ability to, among other things:

- merge or consolidate with any other person;

- make certain capital expenditures;
- pay distributions to our unitholders;
- terminate or materially amend certain of our charters;
- enter into any other line of business;
- make any acquisitions;
- incur additional indebtedness or grant any liens to secure any of our existing or future indebtedness;
- enter into any sale-leaseback transactions; or
- enter into any transactions with our affiliates.

The Golar LNG Partners credit facility prohibits us from paying distributions to our unitholders if we are not in compliance with certain financial covenants or upon the occurrence of an event of default.

Furthermore, we are required under the credit facility to, among other things, comply with the ISM Code and the ISPS Code and with all international and local environmental laws and to maintain certain levels of insurance on the *Methane Princess* and the *Golar Spirit* and maintain the vessels' class certifications with no material overdue recommendations.

Golar Partners Operating Credit Facility

In June 2013, we entered into a new five year, \$275 million loan facility with a banking consortium in connection with the refinancing of our lease financing arrangements in respect of two vessels: the *Golar Winter* and the *Golar Grand*. The loan facility is split into two tranches, a \$225 million term loan facility and a \$50 million revolving credit facility. As of December 31, 2013, the Partnership had an undrawn balance of \$50 million under the revolving credit facility. The loan facility is secured against the *Golar Winter* and the *Golar Grand* and is repayable in quarterly installments with a final balloon payment of \$130 million payable in July 2018. The loan facility and the revolving credit facility bear interest at LIBOR plus a margin of 3%. As of December 31, 2013, the Partnership had \$215.0 million of borrowings outstanding under the Golar Partners Operating credit facility.

The Golar Partners Operating credit facility contains restrictive covenants that require the prior written consent of the lenders or otherwise restrict our ability to, among other things:

- enter into mergers, de-mergers, consolidation or corporate reconstruction;
- change the general nature of our business;
- terminate or materially amend the *Golar Winter* and the *Golar Grand* charters;
- reduce our capital;
- acquire or own certain additional assets;
- incur additional indebtedness or grant any liens to secure any of our existing or future indebtedness;
- sell or dispose of all or a substantial part of our assets or operations; or
- enter into any transaction with related parties other than on an arms' length basis.

The Golar Partners Operating credit facility prohibits us from paying distributions to our unitholders if we are not in compliance with certain financial covenants or upon the occurrence of an event of default.

Furthermore, we are required under the credit facility to, among other things, comply with the ISM Code and the ISPS Code and with all international and local environmental laws and to maintain certain levels of insurance on the *Golar Winter* and the *Golar Grand* and maintain the vessels' class certifications with no material overdue recommendations.

The financial covenants under the Golar Partners Operating credit facility require us to maintain as of the end of each quarterly period during and as of the end of each fiscal year:

- free liquid assets of at least \$25 million from July 1, 2013 to June 30, 2014, rising to \$30 million from July 1, 2014 until the maturity date;
- a minimum EBITDA to debt service ratio of 1.15:1;

- a maximum net debt to EBITDA ratio of 6.5:1; and
- a consolidated net worth of \$123.95 million.

Golar Freeze Credit Facility

In June 2010, Golar Freeze Holding Co., a subsidiary of Golar, entered into a \$125 million credit agreement with a syndicate of banks, led by DnB NOR Bank ASA as security agent, to refinance conversion costs of the *Golar Freeze* (or the Golar Freeze credit facility). The loan is secured against the *Golar Freeze*. In connection with our acquisition of the *Golar Freeze*, we assumed all obligations under the Golar Freeze credit facility. As of December 31, 2013 and 2012, there was \$74.6 million and \$89.6 million of borrowings outstanding under the Golar Freeze credit facility, respectively.

The Golar Freeze credit facility bears interest at a floating rate of LIBOR plus a margin of 3% and the additional cost (as defined in the facility), if any. The facility is split into two tranches, the commercial loan facility and the Exportfinans ASA loan facility. Exportfinans ASA acted as a lender with a guarantee from Garanti-institute for Eksportkredit (or GIEK). Repayments under the commercial loan facility tranche are due quarterly based on an annuity profile with a final balloon payment of \$34.8 million payable in May 2015. The Exportfinans ASA loan facility tranche is for \$50 million with a term of eight years and repayable in equal quarterly installments with the final payment in June 2018. This tranche is required to be repaid if the commercial tranche is not refinanced. The Golar Freeze credit facility requires certain cash balances to be held on deposit during the period of the loan. These balances are referred to in these consolidated financial statements as restricted cash. As of December 31, 2013, the value of the deposit secured against the loan was \$8.8 million.

Under the Golar Freeze credit facility, we are obligated to comply with certain restrictive covenants that will require the prior written consent of the lenders or otherwise restrict our ability to, among other things:

- merge or consolidate with any other person;
- make certain capital expenditures;
- pay distributions;
- terminate or materially amend the *Golar Freeze* charter or release the charterer from any obligations under such charter;
- enter into any other line of business other than the ownership, operation and chartering of the *Golar Freeze*;
- acquire or own certain additional assets;
- enter into any sale and leaseback transactions;
- enter into any transaction with our affiliates.

In addition, we are required under the Golar Freeze credit facility to, among other things, comply with the ISM Code and the ISPS Code and with all international and local environmental laws and to maintain certain levels of insurance on the *Golar Freeze* and maintain its name, registration under the laws of its flag state and class certifications with no material overdue recommendations.

The Golar Freeze credit facility prohibits us from paying distributions to our unitholders if we are not in compliance with certain financial covenants or upon the occurrence of an event of default. The financial covenants under the Golar Freeze credit facility require us to ensure that as of the end of each quarterly period during and as of the end of each financial year, the ratio of Charterhire to Consolidated Debt Service is equal to 1.15:1.

NR Satu Facility

In December 2012, PTGI, the company that owns and operates the *NR Satu*, entered into a 7 year, \$175.0 million secured loan facility (or the *NR Satu* facility). The *NR Satu* facility is split into two tranches, a \$155 million term loan facility and a \$20 million revolving facility. The facility is with a syndicate of banks and bears interest at LIBOR plus a margin of 3.5%. We drew down \$155 million on the term loan facility in December 2012. The loan is payable on a quarterly basis starting on February 28, 2013 with a final balloon payment of \$52.5 million payable after 7 years. As of December 31, 2013, we had not borrowed under the \$20 million revolving facility. The *NR Satu* facility requires certain cash balances to be held on deposit during the period of the loan. These balances are referred to in these consolidated financial statements as restricted cash. As of December 31, 2013, the value of the deposit secured against the loan was \$10.0 million.

Under the *NR Satu* facility, we are obligated to comply with certain restrictive covenants that will require the prior written consent of the lenders or otherwise restrict our ability to, among other things:

- enter into mergers, de-mergers, consolidation or corporate reconstruction;
- pay distributions;
- terminate or materially amend the *NR Satu* charter or release the charterer from any obligations under such charter;
- change the general nature of our business;
- modification of the structure, type or performance characteristics of the *NR Satu* including the mooring system;
- acquire or own certain additional assets;
- enter into any sale transactions in respect of the *NR Satu* including the mooring system; and
- enter into any transaction with our affiliates.

In addition, we are required under the *NR Satu* facility to, among other things, comply with the ISM Code and the ISPS Code and with all international and local environmental laws and to maintain certain levels of insurance on the *NR Satu* (including the mooring system), maintain all licenses necessary for ownership and operation of the *NR Satu*, including the mooring system, in Indonesia and maintain its name, registration under the laws of its flag state and class certifications with no material overdue recommendations.

The *NR Satu* facility prohibits us from paying distributions to our unitholders if we are not in compliance with certain financial covenants or upon the occurrence of an event of default. The financial covenants under the *NR Satu* facility require us to ensure that as of the end of each quarterly period during and as of the end of each fiscal year, the debt service coverage ratio of PTGI is not less than 1.10:1. In addition, it requires us to ensure that the aggregate value of our free liquid assets is not less than \$10 million, and net debt is not less than 6.5 times EBITDA.

Sponsor Credit Facility

In connection with our IPO, we entered into a \$20.0 million revolving credit facility (or the sponsor credit facility) with Golar, to be used to fund our working capital requirements. The facility has a term of four years and is interest-free and unsecured. As of December 31, 2013, the Partnership has an undrawn balance of \$20 million available under the facility. The sponsor credit facility contains covenants that require us to, among other things:

- notify Golar of any event which constitutes or may constitute an event of default or which may adversely affect our ability to perform our obligations under the credit facility; and
- provide Golar with information in respect of our business and financial status as Golar may reasonably require including, but not limited to, copies of our unaudited quarterly financial statements and our audited annual financial statements.

Capital Lease Obligation. As of December 31, 2013, we are committed to make minimum rental payments under our remaining capital lease, as follows:

Year ending December 31, (in thousands)	Methane Princess Lease
2014	\$ 7,754
2015	8,055
2016	8,361
2017	8,676
2018	9,022
2019 and thereafter	183,564
Total minimum lease payments	225,432
Less: Imputed interest	(66,424)
Present value of minimum lease payments	\$ 159,008

Methane Princess Lease. In August 2003, Golar entered into a lease arrangement (or the Methane Princess lease) with a U.K. bank (or the Methane Princess lessor). Our obligation to the Methane Princess lessor is primarily secured by a letter of credit, which is itself secured by a cash deposit which since June 2008 has been placed with the Methane Princess Lessor. Lease rentals are payable quarterly. At the end of each quarter the required value of the letter of credit to secure the present value of rentals due under the Methane Princess lease is recalculated taking into account the rental payment due at the end of the quarter. The surplus funds in the cash deposits securing the letter of credit, released as a result of the reduction in the required letter of credit amount are available to pay the lease rentals due at the end of the same quarter. Deficits, if any, are financed by working capital.

The lease liability under the Methane Princess lease continues to increase until 2014 and thereafter decreases over the period to 2034, being the primary term of the lease. The value of the deposit used to obtain a letter of credit to secure the Methane Princess lease as of December 31, 2013 was \$151.4 million.

For the Methane Princess lease, lease rentals include an interest element that is accrued at a rate based upon GBP LIBOR. We receive interest income on our restricted cash deposits at a rate based upon GBP LIBOR. This lease is therefore denominated in GBP. The majority of this GBP capital lease obligation is hedged by GBP cash deposits securing the lease obligation. The movement in the currency exchange rate between the U.S. Dollar and the GBP will affect our results.

In the event of any adverse tax changes to legislation affecting the tax treatment of the lease for the U.K. vessel lessor 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 our remaining U.K. tax lease before its 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 the fees that were financed in connection with our lease financing transaction, post additional security or make additional payments to our lessor which would increase the obligations noted above. The Lessor of the *Methane Princess* has a second priority security interest in the *Methane Princess* and the *Golar Spirit* to secure these potential obligations and similar obligations related to other Golar vessels. Golar has agreed to indemnify us against any of these increased costs and obligations.

Debt and Lease Restrictions

Our existing debt and lease agreements impose operating and financing restrictions on us and our subsidiaries, which may significantly limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- create liens;
- sell shares of subsidiaries;
- make certain investments;
- engage in mergers and acquisitions;

- purchase and sell vessels;
- transfer funds from subsidiary companies to us;
- enter into, amend or cancel time or consecutive voyage charters; or
- pay distributions to our unitholders without the consent of our lenders and lessors.

In addition, our lenders and lessors may accelerate the maturity of indebtedness under our financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including our failure to comply with any of the covenants contained in our financing agreements. Various debt and lease agreements contain covenants that require compliance with certain financial ratios. Such ratios include equity ratios, working capital ratios and earnings to net debt ratio covenants, debt service coverage ratios, minimum net worth covenants, minimum value clauses and minimum cash and cash equivalent restrictions in respect of our subsidiaries and us. In addition, there are cross default provisions in most of our and Golar's loan and lease agreements.

In April 2013, we received waivers relating to the requirement under the Golar LNG Partners credit facility and the Golar Freeze facility relating to change of control over the Partnership. Following the grant of such waivers, in order to permanently resolve this issue, our loan facilities affected by Golar's loss of control over the Partnership were amended in June 2013. As of December 31, 2013, we were in compliance with all covenants under our existing debt and lease agreements.

In addition to mortgage security, some of our debt is also collateralized through pledges of equity shares by our guarantor subsidiaries.

Derivatives

We use financial instruments to reduce the risk associated with fluctuations in interest rates and foreign currency exchange rates. We have a portfolio of interest rate swaps that exchange or swap floating rate interest to fixed rates, which from a financial perspective, hedges our obligations to make payments based on floating interest rates. As of December 31, 2013, we had interest rate swaps with a notional outstanding value of approximately \$1,125 million (including swaps with a notional value of \$227.2 million in connection with our high-yield bonds but excluding \$100 million of forward starting swaps) representing approximately 128% of total debt and capital lease obligations, net of restricted cash. Whilst we were over-hedged at December 31, 2013, this has since normalized in March 2014 following the assumption of the debt associated with the *Golar Igloo* at dropdown and re-borrowing of funds from the revolving facilities we previously prepaid in December 2013. This hedging level also takes into account \$130 million swaps maturing between April and May 2014. Our swap agreements have expiration dates between 2014 and 2020 and have fixed rates of between 0.92% and 6.49%.

All interest and principal payments on the high-yield bonds were swapped into U.S. dollars.

We enter into foreign currency forward contracts in order to manage our exposure to the risk of movements in foreign currency exchange rate fluctuations. We also receive some of the revenue in respect of the *Golar Spirit* and *Golar Winter* charters in Brazilian Reals. We are affected by foreign currency fluctuations primarily through our FSRU projects, expenditures in respect of our ships drydocking, some operating expenses including the effect of paying the majority of our seafaring officers in Euros and some of our administrative costs. The currencies which impact us the most include, but are not limited to, Euro, Norwegian Kroner, Singapore Dollars, Indonesian Rupiah and, to a lesser extent, GBP.

Capital Commitments

Possible Acquisitions of Other Vessels

Although we do not currently have in place any agreements relating to acquisitions of vessels, we assess potential acquisition opportunities on a regular basis. Pursuant to our omnibus agreement with Golar, we will have the opportunity to purchase additional LNG carriers and FSRUs from Golar when those vessels are fixed under charters of five or more years upon their expiration of their current charters. Subject to the terms of our loan agreements, we could elect to fund any future acquisitions with equity or debt or cash on hand or a combination of these forms of consideration. Any debt incurred for this purpose could make us more leveraged and subject us to additional operational or financial covenants.

Drydocking

From now through to December 31, 2018, seven of the vessels in our current fleet will undergo their scheduled drydockings. We estimate that we will spend in total approximately \$50 million for drydocking and classification surveys on these vessels with approximately \$38 million expected to be incurred in 2018.

This estimate excludes expected drydocking costs in respect of the *Golar Mazo*, which we will recover from the charterer during the period of her charter with Pertamina. We reserve a portion of cash generated from our operations to meet the costs of future drydockings. As our fleet matures and expands, our drydocking expenses will likely increase. Ongoing costs for compliance with environmental regulations are primarily included as part of our drydocking and society classification survey costs or are a component of our operating expenses. We are not aware of any regulatory changes or environmental liabilities that we anticipate will have a material impact on our current or future operations.

Critical Accounting Policies

The preparation of our consolidated and combined financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The following is a discussion of the accounting policies applied by us that are considered to involve a higher degree of judgment in their application. Please read Note 2 (Summary of Significant Accounting Policies) of our consolidated and combined financial statements included elsewhere in this Annual Report.

Revenue Recognition

Our revenues include minimum lease payments under time charters, fees for repositioning vessels as well as the reimbursement of certain vessel operating and drydocking costs. We record revenues generated from time charters, which we classify as operating leases, over the term of the charter as service is provided.

We recognize the reimbursement for drydocking costs evenly over the period to the next drydocking, which is generally between two to five years. We recognize repositioning fees (which are included in time charter revenue) received in respect of time charters at the end of the charter when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the charter, which is not dependent upon redelivery location, we will recognize the fee evenly over the term of the charter. Where a vessel undertakes multiple single voyage time charters, revenue is recognized, including the repositioning fee if fixed and determinable, on a discharge-to-discharge basis. Under this basis, revenue is recognized evenly over the period from departure of the vessel from its last discharge port to departure from the next discharge port.

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, which we estimate at the start of 2014 to be approximately an average of 19 years for all eight vessels in our fleet (excludes the effect of the *Golar Igloo* acquired in March 2014). The economic life for LNG carriers operated worldwide has generally been estimated to be 40 years. However, the *Golar Spirit*, the *Golar Freeze* and the *NR Satu* have been converted into FSRUs and have been moored in sheltered waters where fatigue loads on their hulls are significantly reduced compared to loads borne in connection with operation in a worldwide trade pattern. We believe that these factors support our estimate that the *Golar Spirit*, the *Golar Freeze* and the *NR Satu* will remain operational until they are 50 years old and will therefore have remaining useful economic lives of approximately 20 years each at the time their conversion into FSRUs were completed. We amortize our deferred drydocking costs over two to five years based on each vessel's next anticipated drydocking.

Vessels and Impairment

Our vessels are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In assessing the recoverability of our vessels' carrying amounts, we must make assumptions regarding estimated future cash flows and estimates in respect of residual or scrap value. We estimate those future cash flows based on the existing service potential of our vessels. As of December 31, 2013, we did not perform an impairment test as no trigger events have been identified.

In the event of an impairment trigger, we follow a traditional present value approach, whereby a single set of future cash flows is estimated. If the carrying value of a vessel were to exceed the undiscounted future cash flows, we would write the vessel down to its fair value, which is calculated by using a risk-adjusted rate of interest. Since inception, our vessels have not been impaired.

Vessel Market Values

In “—Vessels and Impairment” above, we discuss our policy for assessing impairment of the carrying values of our vessels. During the past few years, the market values of certain vessels in the worldwide fleet have experienced particular volatility, with substantial declines in many vessel classes. There is a future risk that the sale value of certain of our vessels could decline below those vessels’ carrying value, even though we would not impair those vessels’ carrying value under our impairment accounting policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels’ carrying amounts.

With respect to ascertaining the fair market value of our owned vessels, we believe that the LNG carrier and FSRU markets are illiquid, difficult to observe and therefore judgmental. Our valuation approach is to make an estimate of future net cash flows, with particular respect to cash flows derived from preexisting contracts with counterparties. The principal assumptions we have used are:

- Cash flows are assumed to be in line with pre-existing contracts and are utilized based on historical performance levels;
- For our LNG carriers, once the initial contract period expires, we have estimated cash flows at the lower of our estimated current long-term charter rate or option renewal rate with the existing counterparty;
- For our FSRUs, once the initial contract period expires, we have estimated cash flows at the existing contract option renewal rate, given the lack of pricing transparency in the market as a whole;
- We have used a discount rate applied to future cash flows equivalent to our estimated incremental borrowing rate, assuming 10 year interest swap rates plus a market risk premium; and
- We have made certain assumptions in relation to the scrap values of our vessels at the end of their useful lives.

While we intend to hold and operate our vessels, were we to hold them for sale, we do not believe that the fair market value of any of our owned vessels would be lower than their respective historical book values presented as of December 31, 2013. Our estimates of fair market values assume that we would sell each of our owned vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that each owned vessel would be sold at a price that reflects our estimate of its current fair market value. However, we are not holding any of our vessels for sale. Our estimates of fair market values assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. As we obtain information from various sources of objective data and internal assumptions, our estimates of fair market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future fair market value of our vessels or prices that we could achieve if we were to sell them.

Time Charters

We account for time charters of vessels to our customers as operating leases and record the customers’ lease payments as time charter revenues. We evaluate each contract to determine whether or not the time charter should be treated as an operating or capital lease, which involves estimates about our vessels’ remaining economic useful lives, the fair value of our vessels, the likelihood of a lessee renewal or extension, incremental borrowing rates and other factors.

Our estimate of the remaining economic useful lives of our vessels is based on the common life expectancy applied to similar vessels in the FSRU and LNG shipping industries. The fair value of our vessels is derived from our estimate of expected present value, and is also benchmarked against open market values considering the point of view of a potential buyer. The likelihood of a lessee renewal or extension is based on current and projected demand and prices for similar vessels, which is based on our knowledge of trends in the industry, historic experience with customers in addition to knowledge of our customers’ requirements. The incremental borrowing rate we use to discount expected lease payments and time charter revenues are based on the rates at the time of entering into the agreement.

A change in our estimates might impact the evaluation of our time charters, and require that we classify our time charters as capital leases, which would include recording an asset similar to a loan receivable and removing the vessel from our balance sheet. The lease payments to us would reflect a declining revenue stream to take into account our interest carrying costs, which would impact the timing of our revenue stream.

Capital Lease

As of December 31, 2013, we leased one vessel in respect of a refinancing transaction where we sold the vessel and subsequently leased the vessel from a UK financial institution that routinely enters into finance leasing arrangements. We have accounted for this arrangements as a capital lease. As identified in our critical accounting policy for time charters, we make estimates and assumptions in determining the classification of our leases. In addition, these estimates, such as incremental borrowing rates and the fair value or remaining economic lives of the vessels, impact the measurement of our vessels and liabilities subject to the capital leases. Changes to our estimates could affect the carrying value of our lease assets and liabilities, which could impact our results of operations. To illustrate, if the incremental borrowing rate had been lower than our initial estimate this would result in a higher lease liability being recorded due to a lower discount rate being applied to its future lease rental payments.

Our capital lease is 'funded' via a long-term cash deposit which closely matches the lease liability. Future changes in the lease liability arising from interest rate changes are only partially offset by changes in interest income on the cash deposit, and where differences arise this is funded by, or released to, available working capital.

We have also recorded a deferred credit in connection with this lease transaction. The deferred credit represents the upfront cash inflow derived from undertaking financing in the form of a UK lease. The deferred credit is amortized over the remaining economic life of the vessel to which the lease relates on a straight-line basis. The benefits under lease financings are derived primarily from tax depreciation assumed to be available to lessors as a result of their investment in the vessels. If that tax depreciation ultimately proves not to be available to the lessor, or is clawed back from the lessor (*e.g.*, on a change of tax law or adverse tax ruling), the lessor will be entitled to adjust the rentals under the relevant lease so as to maintain its after tax position, except in limited circumstances. Golar has agreed to indemnify us against any increased costs related to the Methane Princess Lease. We would be liable for these costs to the extent Golar is unable to indemnify us.

Valuation of Derivative Financial Instruments

Our risk management policies permit the use of derivative financial instruments to manage foreign currency fluctuation and interest rate. Changes in fair value of derivative financial instruments that are not designated as cash flow hedges for accounting purposes are recognized in earnings in the consolidated statement of income (loss). Changes in fair value of derivative financial instruments that are designated as cash flow hedges for accounting purposes are recorded in other comprehensive income (loss) and are reclassified to earnings in the consolidated statement of income (loss) when the hedged transaction is reflected in earnings. Ineffective portions of the hedges are recognized in earnings as they occur. During the life of the hedge, we formally assess whether each derivative designated as a hedging instrument continues to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If it is determined that a hedge has ceased to be highly effective, we will discontinue hedge accounting prospectively.

The fair value of our derivative financial instruments is the estimated amount that we would receive or pay to terminate the agreements in an arm's length transaction under normal business conditions at the reporting date, taking into account current interest rates and foreign exchange rates, and estimates of the current credit worthiness of both us and the swap counterparty. Inputs used to determine the fair value of our derivative instruments are observable either directly or indirectly in active markets. The process of determining credit worthiness is highly subjective and requires significant judgment at many points during the analysis.

If our estimates of fair value are inaccurate, this could result in a material adjustment to the carrying amount of derivative asset or liability and consequently the change in fair value for the applicable period that would have been recognized in earnings or comprehensive income.

Recently Issued Accounting Standards

Adoption of new accounting standards

In December 2011, the Financial Accounting Standards Board ("FASB") amended guidance on disclosures about offsetting assets and liabilities. The amendments require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendments will enhance disclosures required by US GAAP by requiring improved information about financial instruments and derivative instruments that are either offset or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with US GAAP. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of set-off associated with certain financial instruments and derivative instruments in the scope of this update. The amendments will be required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The effect of this to our consolidated financial statements is included in note 23 to the financial statements.

In July 2012, the FASB amended disclosure requirements relating to testing indefinite-lived intangible assets for impairment. The amendments no longer require entities to disclose the quantitative information about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy that relate to the financial accounting and reporting for an indefinite-lived intangible asset after its initial recognition. The amendment is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The amendment did not have a material impact on our consolidated financial statements.

In October 2012, the FASB amended several disclosure requirements of the FASB Accounting Standards Codification ("ASC") relating to investments, consolidation, accounting changes and error corrections, inventory, retirement benefits for defined benefit plans, financial instruments and balance sheet. The amendments are effective for fiscal periods beginning after December 15, 2012. The amendment did not have a material impact on our consolidated financial statements.

In February 2013, further guidance was provided relating to the reporting of the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income. Under the updated guidance, the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income shall be shown, in one location, either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. The amendment resulted in additional disclosures in our consolidated and combined carve-out statement of comprehensive income.

In July 2013, the FASB amended ASC Topic 815 permitting the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. Treasury interest rates and the London Interbank Offered Rate. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments shall be applied prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. We did not enter into any qualifying new or redesignated hedging relationships after July 17, 2013 up to the date of these consolidated financial statements and the adoption of this guidance did not have a material effect in our consolidated financial statements.

New accounting standards not yet adopted

In February 2013, the FASB issued guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, including debt arrangements, other contractual obligations and settled litigation and judicial rulings. The guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are evaluating the impact of the adoption of this amended guidance.

In July 2013, the FASB issued guidance on the presentation of unrecognized tax benefits. This guidance requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We do not expect the adoption of this guidance to have a material impact on the financial statements.

C. Research and Development

Not applicable.

D. Trend Information

Please see the section of Item 5 entitled “Market Overview and Trends.”

E. Off-Balance Sheet Arrangements

At December 31, 2013, we do not have any off balance-sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

Contractual Obligations

The following table sets forth our contractual obligations for the periods indicated as of December 31, 2013:

	Total Obligation	Due in 2014	Due in 2015—2016	Due in 2017—2018	Due Thereafter
			(in millions)		
Long-term debt	\$ 889.5	\$ 156.4	\$ 162.3	\$ 507.6	\$ 63.2
Interest commitments on long-term debt - floating and other interest rate swaps (1)(2)	165.8	41.0	67.0	41.6	16.2
Capital lease obligations	159.0	—	1.1	2.6	155.3
Interest commitments on capital lease obligations (1)(3)	66.4	7.7	15.3	15.1	28.3
Other long-term liabilities (4)	—	—	—	—	—
Total	\$ 1,280.7	\$ 205.1	\$ 245.7	\$ 566.9	\$ 263.0

- (1) Our interest commitment on our long-term debt is calculated based on an assumed average USD LIBOR of 1.78% and taking into account our various margin rates and interest rate swaps associated with each debt. Our interest commitment on our capital lease obligations is calculated on an assumed average GBP LIBOR of 5.2%.
- (2) As of December 31, 2013, we are over-hedged as our notional value of interest rate swap arrangements is greater than the principal of our debt, lease and net capital lease obligation. This was due to our entry into a number of swaps to replace those that are close to maturity.
- (3) In the event of any adverse tax rate changes or rulings our lease obligation could increase significantly (please read the discussion above under “—Liquidity and Capital Resources—Borrowing Activities—Capital Lease Obligations”). However, Golar has agreed to indemnify us against any such increase.
- (4) Our consolidated balance sheet as of December 31, 2013 includes \$17.9 million classified as “Other long-term liabilities” which represents deferred credits. These liabilities have been excluded from the above table as the timing and/or the amount of any cash payment is uncertain.

G. Safe Harbor

See “Cautionary Statement Regarding Forward-Looking Statements.”

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors

The following provides information about each of our directors as of April 25, 2014. The business address for these individuals is Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda.

Name	Age	Position
Tor Olav Trøim	51	Chairman of the Board of Directors
Hans Petter Aas	68	Director and Audit Committee Member
Kate Blankenship	49	Director and Audit Committee Member
Kathrine Fredriksen	30	Director
Paul Leand Jr.	47	Director and Conflicts Committee Member
Carl Steen	63	Director and Conflicts Committee Member
Bart Veldhuizen	47	Director, Conflicts Committee Member and Audit Committee Member
Georgina Sousa	64	Company Secretary

Tor Olav Trøim has served as our director and chairman of our board of directors since January 2009. Mr. Trøim has also been a director of Golar since September 2011, having previously served as a director and vice-president of the Company from its incorporation in May 2001 until October 2009, after which time he served as a director and Chairman of the Company's listed subsidiary, Golar Energy. Mr. Trøim graduated as M.Sc Naval Architect from the University of Trondheim, Norway in 1985. He has also served as an Equity Portfolio Manager with Storebrand ASA (1987-1990), and Chief Executive Officer for the Norwegian Oil Company DNO AS (1992-1995). Mr. Trøim has also been a director of Archer Limited since its incorporation in 2007. Mr. Trøim has also served as Vice-President and a director of Seadrill Limited (or Seadrill) since its inception in May 2005, chairman and director of Seadrill Partners LLC (or Seadrill Partners) since July 2012 and is currently a director of Oslo Stock Exchange listed companies: Golden Ocean (also listed on the Singapore Stock Exchange) and Marine Harvest ASA. He served as a director of Frontline Limited (or Frontline) from November 1997 until February 2008, and as a director of Archer Limited.

Hans Petter Aas has served on our board of directors since his appointment in March 2011. Mr. Aas has served as a director of Golar since September 2008. Mr. Aas has had a long career as a banker in the international shipping and offshore market, and retired from his position as Global Head of the Shipping, Offshore and Logistics Division of DnB NOR in August 2008. He joined DnB NOR (then Bergen Bank) in 1989, and has previously worked for the Petroleum Division of the Norwegian Ministry of Industry and the Ministry of Energy, as well as for Vesta Insurance and Nevi Finance. Mr. Aas is also a director and Chairman of Ship Finance International Limited (or Ship Finance), a director of Knutsen NYK Offshore Tanker AS, Gearbulk Holding Ltd, JO Tankers AS, Solvang AS, Knutsen NYK Offshore Partners as well as Knighbridge Tankers.

Kate Blankenship has served on our board of directors since her appointment in September 2007. Ms. Blankenship has served as a director of Golar since July 2003. Ms. Blankenship also served as Company Secretary of Golar from its inception in 2001 until November 2005. Ms. Blankenship has also been a director of Frontline since August 2003 and served as Chief Accounting Officer and Secretary of Frontline from 1994 and October 2005. Ms. Blankenship has served as a director of Ship Finance International Limited since July 2003, Seadrill since May 2005, Golden Ocean Group Limited since November 2004, Archer Limited since August 2007, Seadrill Partners since June 2012 and Avance Gas Holdings Ltd since October 2013. She is a member of the Institute of Chartered Accountants in England and Wales.

Kathrine Fredriksen was appointed to our board of directors in April 2013. Ms. Fredriksen served as a director of Golar from September 2008 to April 2013. Ms. Fredriksen is a graduate of the Wang Handels Gymnas in Norway and has studied at the European Business School in London. Ms. Fredriksen is the daughter of Mr. John Fredriksen, the Chairman of the Board of Golar. Ms. Fredriksen is also a director of Frontline, Seadrill and Independent Tankers Corporation Limited.

Paul Leand Jr. has served on our board of directors since his appointment in March 2011. Mr. Leand has been a Director of NYSE-listed Ship Finance since 2003. Mr. Leand has served as the Chief Executive Officer and Director of AMA Capital Partners LLC, or AMA, an investment bank specializing in the maritime industry since 2004. From 1989 to 1998 Mr. Leand served at the First National Bank of Maryland where he managed its Railroad Division and its International Maritime Division. He has worked extensively in the U.S. capital markets in connection with AMA's restructuring and mergers and acquisitions practices. Mr. Leand serves as a member of American Marine Credit LLC's Credit Committee and served as a member of the Investment Committee of AMA Shipping Fund I, a private equity fund formed and managed by AMA. Mr. Leand holds a BS/BA from Boston University's School of Management and is a director of publicly listed SEACOLTD and privately held Helm Financial Corporation and GE SEACO SRL.

Carl Steen has served on our board of directors since his appointment in August 2012. Mr. Steen initially graduated in 1975 from ETH Zurich Switzerland with an M.Sc. in Industrial and Management Engineering. After working for a number of high profile companies, Mr. Steen joined Nordea Bank from January 2001 to February 2011 as head of the bank's Shipping, Oil Services & International Division. Currently, Mr. Steen is a director of Seadrill (since February 2011) and holds directorship positions in various Norwegian companies including Wilhelm Wilhelmsen Holding ASA and RS Platou ASA.

Bart Veldhuizen has served as a director since September 2011. Mr. Veldhuizen has been working in the shipping industry since 1994 on both the banking and non banking side. Mr. Veldhuizen is a founding director of Swaen Marinl Ltd., an advisory company in London focusing on the maritime industry. From August 2007 until October 2011, he has been the Managing Director & Head of Shipping of Lloyds Banking. In this capacity, Mr. Veldhuizen managed the combined Lloyds Bank and Bank of Scotland's US\$16 billion shipping loan and lease portfolio. He started his career with Van Ommeren Shipping, a Dutch public shipping & storage company after which he joined DVB bank as a shipping banker working in both Rotterdam and Piraeus. In 2000, he joined Smit International, a publicly listed Maritime service provider active in Salvage, Marine Contracting and Harbour Towage. After working for Smit in both Greece and Singapore, Mr. Veldhuizen returned to the Netherlands in August 2003 to work with NIBC Bank, a Dutch based merchant bank. Mr. Veldhuizen holds a degree in Business Economics from the Erasmus University in Rotterdam, the Netherlands. Currently, Mr. Veldhuizen is a director of Seadrill Partners.

Georgina E. Sousa has served as our secretary since her appointment in April 2011. Ms. Sousa has also served on our board of directors from September 2007 to April 2013. Ms. Sousa has also served as Secretary of Golar and its subsidiaries since November 30, 2005. She is also Head of Corporate Administration for Frontline. Up until January 2007, she was Vice-President-Corporate Manager of Corporate Administration. From 1976 to 1982, she was employed by the Bermuda law firm of Appleby, Spurling & Kempe as a Company Secretary and from 1982 to 1993, she was employed by the Bermuda law firm of Cox & Wilkinson as Senior Company Secretary.

Executive Officers

Other than our secretary, we currently do not have any executive officers and rely on the executive officers and directors of Golar Management who perform executive officer services for our benefit pursuant to the management and administrative services agreement and who are responsible for our day-to-day management subject to the direction of our board of directors. Golar Management also provides certain commercial and technical management services to our fleet. The following provides information about each of the executive officers of Golar Management who perform executive officer services for us and who are not also members of our board of directors as of March 31, 2014. The business address for our executive officers is Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda.

Name	Age	Position
Graham Robjohns	49	Principal Executive Officer
Oistein Dahl	53	Chief Operating Officer
Brian Tienzo	40	Principal Financial and Accounting Officer

Graham Robjohns has acted as our Principal Executive Officer since July 2011. From April 2011 to July 2011, Mr. Robjohns served as our Chief Executive Officer and Chief Financial Officer. Mr. Robjohns has also served as Chief Executive Officer for Seadrill Partners LLC since June 2012. Mr. Robjohns served as the Chief Financial Officer of Golar Management from November 2005 until June 2011. Mr. Robjohns also served as Chief Executive Officer of Golar LNG Management from November 2009 until July 2011. Mr. Robjohns served as Group Financial Controller of Golar Management from May 2001 to November 2005 and as Chief Accounting Officer of Golar Management from June 2003 until November 2005. He was the Financial Controller of Osprey Maritime (Europe) Ltd from March 2000 to May 2001. From 1992 to March 2000 he worked for Associated British Foods Plc. and then Case Technology Ltd (Case), both manufacturing businesses, in various financial management positions and as a director of Case. Prior to 1992, Mr. Robjohns worked for PricewaterhouseCoopers in their corporation tax department. He is a member of the Institute of Chartered Accountants in England and Wales.

Oistein Dahl has served as Managing Director of Golar Wilhelmsen Management since September 2011 and as Chief Operating Officer of Golar Management since April 2012. Prior to September 2011, he worked for the Leif Høegh & Company Group (roll-on roll-off and LNG vessels). He held various positions within the Høegh Group of companies within vessel management, newbuilding and projects, as well as business development before becoming President for Høegh Fleet in October 2007, a position he held for four years. Mr. Dahl has also worked within offshore engineering and with the Norwegian Class Society, DNV. Mr. Dahl has a MSc degree from the NTNU technical university in Trondheim.

Brian Tienzo has acted as our our Principal Financial and Accounting Officer since July 2011. Mr. Tienzo was our Controller from April 2011 until July 2011. Mr. Tienzo has also served as the Chief Financial Officer of Golar Management since July 2011 and as the Group Financial Controller of Golar Management since 2008. Mr. Tienzo joined Golar Management in February 2001 as the Group Management Accountant. From 1995 to 2001 he worked for Z-Cards Europe Limited, Parliamentary Communications Limited and Interoute Communications Limited in various financial management positions. He is a member of the Association of Certified Chartered Accountants.

B. Compensation

Reimbursement of Expenses of Our General Partner

Our general partner does not receive compensation from us for any services it provides on our behalf, although it will be entitled to reimbursement for expenses incurred on our behalf. In addition, we will reimburse Golar Management for expenses incurred pursuant to the management and administrative services agreement. Please read “Item 7 — Major Unitholders and Related Party Transactions — Management and Administrative Services Agreement.”

Executive Compensation

We did not pay any compensation to our directors or officers or accrue any obligations with respect to management incentive or retirement benefits for our directors and officers prior to our initial public offering. Under the management and administrative services agreement, we reimburse Golar Management for its reasonable costs and expenses incurred in connection with the provision of executive officer and other administrative services to us. In addition, we pay Golar Management a management fee equal to 5% of its costs and expenses incurred on our behalf. During the year ended December 31, 2013, we paid Golar Management \$2.6 million in connection with the provision of these services to us.

Golar Management compensates Mr. Robjohns, Mr. Dahl and Mr. Tienzo in accordance with its own compensation policies and procedures. We will not pay any additional compensation to our officers. Officers and employees of affiliates of our general partner may participate in employee benefit plans and arrangements sponsored by Golar, our general partner or their affiliates, including plans that may be established in the future.

Compensation of Directors

Our officers or officers of Golar who also serve as our directors do not receive additional compensation for their service as directors but may receive director fees in lieu of other compensation paid by Golar. Each non-management director receives compensation for attending meetings of our board of directors, as well as committee meetings. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees. Each director is fully indemnified by us for actions associated with being a director to the extent permitted under Marshall Islands law.

During the year ended December 31, 2013, we paid to our directors aggregate cash compensation of approximately \$0.4 million. We do not have a retirement plan for members of our management team or our directors.

C. Board Practices

General

Our board consists of seven members, three of whom were appointed by our general partner in its sole discretion and four of whom were elected by our common unitholders. Directors appointed by our general partner will serve as directors for terms determined by our general partner. Our current board of directors consists of three members appointed by our general partner, Kate Blankenship, Tor Olav Trøim and Katherine Fredriksen. Our current board of directors consists of four members elected by our common unitholders, Bart Veldhuizen, Carl Steen, Hans Petter Aas and Paul Leand Jr. Directors elected by our common unitholders are divided into three classes serving staggered three-year terms. One of the four directors elected by our common unitholders, Bart Veldhuizen, was elected at our annual meeting of unitholders held in September 2013 as the Class I elected director and will serve until our annual meeting of unitholders in 2016. Carl Steen was designated as the Class II elected director and will serve until our annual meeting of unitholders in 2014. Hans Petter Aas and Paul Leand Jr. were designated as our Class III elected directors and will serve until our annual meeting of unitholders in 2015. At each subsequent annual meeting of unitholders, directors will be elected to succeed the class of directors whose terms have expired by a plurality of the votes of the common unitholders. Directors elected by our common unitholders will be nominated by the board of directors or by any limited partner or group of limited partners that holds at least 10% of the outstanding common units. Our board has determined that Ms. Blankenship, Mr. Aas, Mr. Leand, Mr. Steen and Mr. Veldhuizen satisfy the independence standards established by The Nasdaq Stock Market LLC as applicable to us.

Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, to preserve our ability to be exempt from U.S. federal income tax under Section 883 of the Code, if at any time, any person or group owns beneficially more than 4.9% or more of any class of units then outstanding, any such units owned by that person or group in excess of 4.9% may not be voted (except for purposes of nominating a person for election to our board). The voting rights of any such unitholders in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of such class of units. Our general partner, its affiliates and persons who acquired common units with the prior approval of our board of directors will not be subject to this 4.9% limitation except with respect to voting their common units in the election of the elected directors.

Committees

We have an audit committee that, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls. Our audit committee is comprised of three directors, Hans Petter Aas, Kate Blankenship and Bart Veldhuizen. Ms. Blankenship qualifies as an “audit committee expert” for purposes of SEC rules and regulations.

We also have a conflicts committee comprised of three members of our board of directors. The conflicts committee will be available at the board’s discretion to review specific matters that the board believes may involve conflicts of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee may not be officers or employees of us or directors, officers or employees of our general partner or its affiliates, and must meet the independence standards established by The Nasdaq Stock Market LLC to serve on an audit committee of a board of directors and certain other requirements. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners, and not a breach by our directors, our general partner or its affiliates of any duties any of them may owe us or our unitholders. Our conflicts committee is currently comprised of Paul Leand Jr., Carl Steen and Bart Veldhuizen. For additional information about the conflicts committee, please read “Item 7—Conflicts of Interest and Fiduciary Duties.”

Exemptions from Nasdaq Corporate Governance Rules

Because we qualify as a foreign private issuer under SEC rules, we are permitted to follow the corporate governance practices of the Marshall Islands (the jurisdiction in which we are organized) in lieu of certain Nasdaq corporate governance requirements that would otherwise be applicable to us.

Nasdaq rules do not require a listed company that is a foreign private issuer to have a board of directors that is comprised of a majority of independent directors. Under Marshall Islands law, we are not required to have a board of directors comprised of a majority of directors meeting the independence standards described in Nasdaq rules. In addition, Nasdaq rules do not require limited partnerships like us to have boards of directors comprised of a majority of independent directors. Accordingly, while our board is currently comprised of a majority of independent directors, our board of directors may not be comprised of a majority of independent directors in the future.

Nasdaq rules do not require foreign private issuers like us to establish a compensation committee or a nominating/corporate governance committee. Similarly, under Marshall Islands law, we are not required to have a compensation committee or a nominating/corporate governance committee. In addition, Nasdaq rules do not require limited partnerships like us to have a compensation committee or a nominating/corporate governance committee. Accordingly, we will not have a compensation committee or a nominating/corporate governance committee.

D. Employees

Employees of Golar Management, including those employees acting as our executive officers, provide services to our subsidiaries pursuant to the fleet management agreements and the management and administrative services agreement. As of December 31, 2013, Golar employed (directly and through ship managers) approximately 500 seagoing staff who serve on our vessels. Golar and its affiliates may employ additional seagoing staff to assist us as we grow. Certain affiliates of Golar, including Golar Management and Golar Wilhelmsen, provide commercial and technical management services, including all necessary crew-related services, to our subsidiaries pursuant to the fleet management agreements.

Pursuant to our management agreements, our Manager and certain of its affiliates provide us with all of our employees (other than our secretary). Our board of directors has the authority to hire other employees as it deems necessary.

E. Unit Ownership

Security Ownership of Certain Beneficial Owners and Management

As of April 25, 2014, there were no common units or subordinated units beneficially owned by our current directors or executive officers.

This is based on information filed with the SEC and on information provided to us prior to April 25, 2014.

Item 7. Major Unitholders and Related Party Transactions

A. Major Unitholders

The following table sets forth the beneficial ownership of our common units and subordinated units as of April 25, 2014 by each person that we know to beneficially own more than 5% of our outstanding common or subordinated units. The number of units beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose:

Name of Beneficial Owner	Common Units Beneficially Owned		Subordinated Units Beneficially Owned		Percentage of Total Common and Subordinated Units Beneficially Owned
	Number	Percent	Number	Percent	
Golar LNG Limited(1)	8,838,096	19.4%	15,949,831	100%	40.2%
Kayne Anderson Capital Advisors LP(2)	5,394,310	11.8%	—	—	8.8%
Oppenheimer Funds, Inc.(3)	2,661,745	5.8%	—	—	4.3%
Goldman Sachs Asset Management LP(4)	2,591,249	5.7%	—	—	4.2%

- (1) World Shipholding Ltd., the company that is the main shareholder of Golar, is indirectly controlled by trusts established by Mr. John Fredriksen, Chairman of the Board of Directors of Golar, for the benefit of certain members of his immediate family. Mr. Fredriksen disclaims beneficial ownership of those common shares held by World Shipholding in Golar, except to the extent of his voting and dispositive interest in such common shares. Mr. Fredriksen has no pecuniary interest in the shares held by World Shipholding. Amounts exclude the 2.0% general partner interest held by our general partner, a wholly-owned subsidiary of Golar. The address of World Shipholding's principal place of business is P.O. Box 53562, CY3399 Limassol, Cyprus.
- (2) Based solely on information contained in a Schedule 13G/A filed on February 5, 2014 by Kayne Anderson Capital Advisors LP. The address of Kayne Anderson Capital Advisors LP is 1800 Avenue of the Stars, Second Floor, Los Angeles CA 90067.
- (3) Based solely on information contained in a Schedule 13G filed on February 6, 2014 by Oppenheimer Funds, Inc. The address of Oppenheimer Funds, Inc. is Two World Financial Center, 225 Liberty Street, New York, NY 10281.
- (4) Based solely on information contained in a Schedule 13G/A filed jointly by Goldman Sachs Asset Management LP and GS Investment Strategies LLC on February 13, 2014. The address for both holders is 200 West Street New York, NY 10282.

B. Related Party Transactions

From time to time we have entered into agreements and have consummated transactions with certain related parties. We may enter into related party transactions from time to time in the future. In connection with our initial public offering, we established a conflicts committee, comprised entirely of independent directors, which must approve all proposed material related party transactions.

Omnibus Agreement

We are subject to an omnibus agreement that we entered into with Golar and certain of its affiliates, our general partner and certain of our subsidiaries in connection with our IPO. On October 5, 2011, we entered into an amendment to the omnibus agreement with the other parties thereto. The following discussion describes certain provisions of the omnibus agreement, as amended.

Noncompetition

Under the omnibus agreement, Golar agreed, and caused its controlled affiliates (other than us, our general partner and our subsidiaries) to agree, not to acquire, own, operate or charter any FSRU or LNG carrier operating under a charter for five or more years. We refer to these vessels, together with any related charters, as "Five-Year Vessels" and to all other FSRUs and LNG carriers, together with any related charters, as "Non-Five-Year Vessels." The restrictions in this paragraph did not prevent Golar or any of its controlled affiliates (other than us and our subsidiaries) from:

- (1) acquiring, owning, operating or chartering Non-Five-Year Vessels;
- (2) acquiring one or more Five-Year Vessels if Golar promptly offers to sell the vessel to us for the acquisition price plus any administrative costs (including re-flagging and reasonable legal costs) associated with the transfer to us at the time of the acquisition;
- (3) putting a Non-Five-Year Vessel under charter for five or more years if Golar offers to sell the vessel to us for fair market value (x) promptly after the time it becomes a Five-Year Vessel and (y) at each renewal or extension of that charter for five or more years;
- (4) acquiring one or more Five-Year Vessels as part of the acquisition of a controlling interest in a business or package of assets and owning, operating or chartering those vessels; provided, however, that:
 - (a) if less than a majority of the value of the business or assets acquired is attributable to Five-Year Vessels, as determined in good faith by Golar's board of directors, Golar must offer to sell such vessels to us for their fair market value plus any additional tax or other similar costs that Golar incurs in connection with the acquisition and the transfer of such vessels to us separate from the acquired business; and
 - (b) if a majority or more of the value of the business or assets acquired is attributable to Five-Year Vessels, as determined in good faith by Golar's board of directors, Golar must notify us of the proposed acquisition in advance. Not later than 10 days following receipt of such notice, we will notify Golar if we wish to acquire such vessels in cooperation and simultaneously with Golar acquiring the Non-Five-Year Vessels. If we do not notify Golar of our intent to pursue the acquisition within 10 days, Golar may proceed with the acquisition and then offer to sell such vessels to us as provided in (a) above;

- (5) acquiring a non-controlling interest in any company, business or pool of assets;
- (6) acquiring, owning, operating or chartering any Five-Year Vessel if we do not fulfill our obligation to purchase such vessel in accordance with the terms of any existing or future agreement;
- (7) acquiring, owning, operating or chartering a Five-Year Vessel subject to the offers to us described in paragraphs (2), (3) and (4) above pending our determination whether to accept such offers and pending the closing of any offers we accept;
- (8) providing ship management services relating to any vessel; or
- (9) acquiring, owning, operating or chartering a Five-Year Vessel if we have previously advised Golar that we consent to such acquisition, operation or charter.

If Golar or any of its controlled affiliates (other than us or our subsidiaries) acquires, owns, operates or charters Five-Year Vessels pursuant to any of the exceptions described above, it may not subsequently expand that portion of its business other than pursuant to those exceptions.

In addition, under the omnibus agreement we and our affiliates may not acquire, own, operate or charter Five-Year Vessels only. The restrictions in this paragraph will not:

- (1) prevent us from owning, operating or chartering any Non-Five-Year Vessel that was previously a Five-Year Vessel while owned by us;
- (2) prevent us or any of our subsidiaries from acquiring Non-Five-Year Vessels as part of the acquisition of a controlling interest in a business or package of assets and owning, operating or chartering those vessels; provided, however, that:
 - (a) if less than a majority of the value of the business or assets acquired is attributable to Non-Five-Year Vessels, as determined in good faith by us, we must offer to sell such vessels to Golar for their fair market value plus any additional tax or other similar costs that we incur in connection with the acquisition and the transfer of such vessels to Golar separate from the acquired business; and
 - (b) if a majority or more of the value of the business or assets acquired is attributable to Non-Five-Year Vessels, as determined in good faith by us, we must notify Golar of the proposed acquisition in advance. Not later than 10 days following receipt of such notice, Golar must notify us if it wishes to acquire the Non-Five-Year Vessels in cooperation and simultaneously with us acquiring the Five-Year Vessels. If Golar does not notify us of its intent to pursue the acquisition within 10 days, we may proceed with the acquisition and then offer to sell such vessels to Golar as provided in (a) above;
- (3) prevent us or any of our subsidiaries from acquiring, owning, operating or chartering any Non-Five-Year Vessels subject to the offer to Golar described in paragraph (2) above, pending its determination whether to accept such offer and pending the closing of any offer it accepts; or
- (4) prevent us or any of our subsidiaries from acquiring, owning, operating or chartering Non-Five-Year Vessels if Golar has previously advised us that it consents to such acquisition, ownership, operation or charter.

If we or any of our subsidiaries acquires, owns, operates or charters Non-Five-Year Vessels pursuant to any of the exceptions described above, neither we nor such subsidiary may subsequently expand that portion of our business other than pursuant to those exceptions.

Upon a change of control of us or our general partner, the noncompetition provisions of the omnibus agreement will terminate immediately. Upon a change of control of Golar, the noncompetition provisions of the omnibus agreement applicable to Golar will terminate at the time that is the later of the date of the change of control and the date on which all of our outstanding subordinated units have been converted to common units.

Under the omnibus agreement, a change of control occurs upon (i) the sale, lease, exchange or other transfer of all or substantially all assets to another entity, (ii) the consolidation or merger into another entity, and (iii) an entity other than Golar or its Affiliates becoming the beneficial owner of more than 50% of all outstanding voting stock.

Golar Freeze

Under the omnibus agreement, Golar granted us the right to purchase the *Golar Freeze* at fair market value at any time prior to April 13, 2013. In October 2011, we completed the acquisition of the *Golar Freeze* from Golar for a purchase price of \$330 million. See “—Vessel Acquisitions and Related Transactions.”

NR Satu

Under the omnibus agreement, Golar granted us the right to purchase the *NR Satu* from Golar at fair market value upon completion of the vessel’s retrofitting and acceptance by its charterer. In July 2012, we completed the acquisition of the *NR Satu* from Golar for a purchase price of \$385 million. See “—Vessel Acquisitions and Related Transactions.”

Rights of First Offer on FSRUs and LNG carriers

Under the omnibus agreement, we and our subsidiaries granted to Golar a right of first offer on any proposed sale, transfer or other disposition of any Five-Year Vessels or Non-Five-Year Vessels owned by us. Under the omnibus agreement, Golar and its subsidiaries granted a similar right of first offer to us for any Five-Year Vessels they might own. These rights of first offer do not apply to a (a) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any current or future charter or other agreement with a charter party or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third-party.

Prior to engaging in any negotiation regarding any vessel disposition with respect to a Five-Year Vessel with a non-affiliated third-party or any Non-Five-Year Vessel, we or Golar will deliver a written notice to the other relevant party setting forth the material terms and conditions of the proposed transaction. During the 30-day period after the delivery of such notice, we and Golar will negotiate in good faith to reach an agreement on the transaction. If we do not reach an agreement within such 30-day period, we or Golar, as the case may be, will be able within the next 180 calendar days to sell, transfer, dispose or re-charter the vessel to a third party (or to agree in writing to undertake such transaction with a third party) on terms generally no less favorable to us or Golar, as the case may be, than those offered pursuant to the written notice.

Upon a change of control of us or our general partner, the right of first offer provisions of the omnibus agreement will terminate immediately. Upon a change of control of Golar, the right of first offer provisions applicable to Golar under the omnibus agreement will terminate at the time that is the later of the date of the change of control and the date on which all of our outstanding subordinated units have converted to common units.

Indemnification

Under the omnibus agreement, Golar agreed to indemnify us for a period of five years after our initial public offering (and for a period of at least three years after our purchase of the *NR Satu*, if applicable) against certain environmental and toxic tort liabilities with respect to the assets contributed or sold to us to the extent arising prior to the time they were contributed or sold to us. Liabilities resulting from a change in law after the closing of our initial public offering are excluded from the environmental indemnity. There is an aggregate cap of \$5.0 million on the amount of indemnity coverage provided by Golar for environmental and toxic tort liabilities. No claim may be made unless the aggregate dollar amount of all claims exceeds \$500,000, in which case Golar is liable for claims only to the extent such aggregate amount exceeds \$500,000.

Golar will also indemnify us for liabilities related to:

- certain defects in title to the assets contributed or sold to us and any failure to obtain, prior to the time they were contributed to us, certain consents and permits necessary to conduct our business, which liabilities arise within three years after the closing of our initial public offering (or, in the case of the *NR Satu*, within three years after our purchase of the *NR Satu*, if applicable);
- certain income tax liabilities attributable to the operation of the assets contributed or sold to us prior to the time they were contributed or sold; and
- any liabilities in excess of our scheduled payments under the UK tax lease used to finance the *Methane Princess*, including liabilities in connection with termination of such lease.

Amendments

The omnibus agreement may not be amended without the prior approval of the conflicts committee of our board of directors if the proposed amendment will, in the reasonable discretion of our board of directors, adversely affect holders of our common units.

Our Management Agreements

Management and Administrative Services Agreement

In connection with our IPO, we entered into a management and administrative services agreement (as amended and restated, the management and administrative services agreement) with Golar Management, pursuant to which Golar Management agreed to provide certain commercial, management and administrative support services to us, such as accounting, auditing, legal, insurance, IT, cash management, clerical, investor relations and other administrative services. In addition, certain officers and directors of Golar Management are to provide executive officer functions for our benefit. These officers of Golar Management are responsible for our day-to-day management, subject to the direction of our board of directors. As of July 1, 2011, we and Golar Management entered into an amended and restated management and administrative services agreement to reflect changes in the titles of certain of our officers. The material provisions of the amended and restated management and administrative services agreement, including terms related to our obligations and the obligations of Golar Management to provide us with services, remain unchanged from those contained in the management and administrative services agreement entered into at the time of our IPO. The management and administrative services agreement expires in May 2016.

The management and administrative services agreement may be terminated prior to the end of its term by us upon 120 days' notice for any reason in the sole discretion of our board of directors. For each of the years ended December 31, 2013, 2012 and 2011, the fees under the management and administrative services agreement were \$2.6 million, \$2.9 million and \$1.6 million, respectively. Golar Management may terminate the management and administrative services agreement upon 120 days notice in the event of certain circumstances, such as a change of control of us or our general partner, an order to wind up the partnership, amongst other events. A change of control under the management services agreement means an event in which securities of any class entitling the holders thereof to elect a majority of the members of the board of directors of the entity are acquired, directly or indirectly, by a person or group, who did not immediately before such acquisition, own securities of the entity entitling such person or group to elect such majority.

We reimburse Golar Management for its reasonable costs and expenses incurred in connection with the provision of these services. In addition, we pay Golar Management a management fee equal to 5% of its costs and expenses incurred in connection with providing services to us for the month after Golar Management submits to us an invoice for such costs and expenses, together with any supporting detail that may be reasonably required.

Under the management and administrative services agreement, we agreed to indemnify Golar Management and its employees and agents against all actions which may be brought against them under the management and administrative services agreement including, without limitation, all actions brought under the environmental laws of any jurisdiction, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such actions; provided, however that such indemnity excludes any or all losses which may be caused by or due to the fraud, gross negligence or willful misconduct of Golar Management or its employees or agents.

Fleet management agreements

Each vessel in our fleet is subject to management agreements, pursuant to which certain commercial and technical management services are provided by certain affiliates of Golar, principally Golar Management and Golar Wilhelmsen, as described below. Under these fleet management agreements, our subsidiaries pay fees to, and reimburse the costs and expenses of the vessel managers as described below.

Golar Management Limited

The vessel owning subsidiaries (or disponent owners of the vessels) have each entered into separate vessel management agreements directly (or in the case of *Golar Mazo*, indirectly) with Golar Management to manage the vessels in accordance with sound and commercial technical ship management practice, so far as practicable, which includes principally:

- *Commercial and technical management of the vessel.* Managing day-to-day vessel operations, including but not limited to, seeking, negotiating and administering charter parties with respect to the vessels and receipts of payments thereunder, ensuring regulatory compliance, arranging for the vetting of vessels, appointing counsel and negotiating the settlement of all claims in connection with the operation of each vessel, appointing surveyors and technical consultants as necessary, arranging and supervising of drydockings, repairs, alterations and maintenance of such vessel and purchasing of stores, spares and lubricating oils, arranging insurance for vessels and providing technical support;
- *Vessel Maintenance and crewing:* including supervising the maintenance and general efficiency of vessels, and ensuring the vessels are in seaworthy condition, provision of competent, suitably qualified crew for each vessel and arranging transportation for crew.

To carry out the services required pursuant to the vessel management agreements, Golar Management is entitled to engage the services of sub-managers to carry out its duties.

The aggregate management fees payable under these fleet management agreements for each of the years ended December 31, 2013, 2012 and 2011 was \$6.7 million, \$4.2 million and \$4.1 million, respectively. The vessel management fees are reviewed annually and revised by mutual agreement of the parties. In addition, pursuant to the vessel management agreements, Golar Management is to be reimbursed an amount equal to the disbursements and expenses in connection with the provision of the services contracted under the management agreement.

Vessels	Vessels Management Agreements	
	<i>Term</i>	<i>Notice for termination</i>
<i>Golar Mazo*</i>	Equal to the Pertamina charter term	12 months**
<i>Methane Princess</i>	Indefinite	30 days
<i>Golar Spirit</i>	Indefinite	30 days
<i>Golar Winter</i>	Indefinite	30 days
<i>Golar Freeze</i>	Until April 2016	120 days
<i>NR Satu</i>	Indefinite	30 days
<i>Golar Grand</i>	Indefinite	30 days
<i>Golar Maria</i>	Indefinite	30 days
<i>Golar Igloo</i>	Until February 2015 then indefinite	30 days

*The vessel management agreement is between Faraway and Aurora Management Inc. ("Aurora Management"), in which the Partnership has a 90% ownership interest, but which Aurora Management has indirectly subcontracted to Golar Management.

**The vessel management agreement may be terminated prior to the end of the initial Pertamina charter term in 2017 upon 12 months' notice under certain circumstances, including but not limited to, loss of ownership of the vessel, loss of the vessel, cease of charter to Pertamina, non-payment of money owed, material breach of the agreement, bankruptcy or dissolution of either party or the inability to carry out obligations under the agreement due to force majeure.

Technical Management Sub-Agreement with Golar Wilhelmsen

In order to assist with the technical management of each of the vessels in our current fleet, Golar Management has entered into the BIMCO Standard Ship Management Agreement with Golar Wilhelmsen, as sub-managers, for the operations of our fleet (the Vessels Sub-Management Agreement). The Vessels Sub-Management Agreement provides that Golar Wilhelmsen must use its best endeavors to provide the following technical services:

- *Crew Management.* Golar Wilhelmsen must provide suitably qualified crew for each vessel and provide for the management of the crew including, but not limited to, arranging for all transportation of the crew, ensuring the crew meets all medical requirements of the flag state, and conducting union negotiations.
- *Technical Management.* Golar Wilhelmsen must provide for the technical management of each vessel, which includes, but is not limited to the provision of competent personnel to supervise the maintenance and efficiency of the vessel; arrange and supervise drydockings, repairs, alterations and maintenance of such vessel and arrange and supply the necessary stores, spares and lubricating oils.

The aggregate management fees payable under the technical management sub-agreement for each of the years ended December 31, 2013, 2012 and 2011 was \$2.7 million, \$1.8 million and \$1.7 million, respectively. Golar Management is responsible for payment of the annual management fee to Golar Wilhelmsen in respect of the vessels. We are not responsible for paying this management fee to Golar Wilhelmsen. This fee is subject to upward adjustments based on cost of living indexes in the domicile of Golar Wilhelmsen. Golar Wilhelmsen is entitled to extra remuneration for the performance of tasks outside the scope of the Vessels Sub-Management Agreement.

The Vessels Sub-Management Agreement will terminate upon failure by either party to meet its obligations under the agreement, in the case of the sale or total loss of the vessel, or in the event an order or resolution is passed for the winding up, dissolution, liquidation or bankruptcy of either party or if a receiver is appointed. In addition, Golar Management must indemnify Golar Wilhelmsen and its employees, agents and subcontractors against all actions, proceedings, claims, demands or liabilities arising in connection with the performance of the agreement.

Agency Agreement with PT Pesona Sentra Utama (or PT Pesona) PT Pesona, an Indonesian company established in 2005 and engaged in technical crewing management in Indonesia, owns 51% of the issued share capital in our subsidiary, PT Golar Indonesia, the owner and operator of *NR Satu*, in order to comply with Indonesian cabotage requirements. Under the agency agreement PT Pesona provides agency and local representation services for us with respect to *NR Satu*, which includes, but not limited to, accounting, charter administration, legal and liaison services with respect to Indonesian legal and government authorities and clerical services. Under the agency agreement PT Pesona currently receives a fee of \$350,000 per annum. This fee is subject to review annually and revision by mutual agreement of the parties. Golar Management is responsible for payment of the agency fee to PT Pesona. We are not responsible for paying this management fee to PT Pesona.

The PT Pesona agency agreement shall continue indefinitely, unless and until terminated upon notice by either party within 30 days of expected termination.

Sponsor Credit Facility

In connection with the closing of our IPO, we entered into the sponsor credit facility with Golar, to fund our working capital requirements. The sponsor credit facility has a term of four years and is interest-free and unsecured. For a more detailed description of this credit facility, please read “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Borrowing Activities—Long-Term Debt—Sponsor Credit Facility.”

Other Related Party Transactions

The following is a discussion of certain other related party transactions and agreements that we entered into or were party to during the year ended December 31, 2013:

Vessel Acquisitions and Related Transactions

In February 2013, we acquired from Golar interests in the company that owns and operates the LNG carrier, the *Golar Maria* for a total purchase price of approximately \$215.0 million. The acquisition of the *Golar Maria* was financed by the assumption of approximately \$89 million of outstanding debt relating to the *Golar Maria* and from the net proceeds of the February 2013 Equity Offering and the related private placement to Golar and general partner contribution. The Conflicts Committee approved the purchase price for the *Golar Maria*. The Conflicts Committee retained a financial advisor to assist with its evaluation of the transaction. The common units sold to Golar in the private placement were offered and sold to it at the price that the common units were concurrently offered to the public.

In connection with the acquisition of the *Golar Grand* from Golar in November 2012, we entered into an Option Agreement with Golar. Under the Option Agreement, we have an option to require Golar to enter into a new time charter with Golar as charterer until October 2017 if the current charterer does not renew or extend the existing charter after the initial term.

In March 2014, we acquired from Golar interests in the company that owns and operates the FSRU, the *Golar Igloo* for a total purchase price of approximately \$310.0 million. The acquisition of the *Golar Igloo* was financed by the assumption of approximately \$161.3 million of outstanding debt relating to the *Golar Igloo* and from the net proceeds of the December 2013 Equity Offerings. The Conflicts Committee approved the purchase price for the *Golar Igloo*. The Conflicts Committee retained a financial advisor to assist with its evaluation of the transaction.

See Note 24 to our consolidated and combined financial statements.

High-Yield Bonds

In October 2012, we completed the issuance of NOK 1,300 million in senior unsecured bonds that mature in October 2017. The aggregate principal amount of the bonds is equivalent to approximately \$227 million. Of this amount, NOK200 million (approximately \$35 million as of December 31, 2012) was held by Golar until their disposal in November 2013. See Note 24 to our consolidated and combined financial statements.

Trading Balances

Receivables and payables with Golar and its affiliates are comprised primarily of unpaid management fees, advisory and administrative services. In addition, certain receivables and payables arise when we pay an invoice on behalf of a related party and vice versa. Receivables and payables are generally settled quarterly in arrears. Trading balances due to Golar and its affiliates are unsecured, interest-free and intended to be settled in the ordinary course of business. They primarily relate to recharges for trading expenses paid on our behalf, including ship management and administrative service fees due to Golar.

Methane Princess Lease Security Deposit Movements

This represents net advances to Golar since the IPO, which correspond with the net release of funds from the security deposits held relating to the Methane Princess lease. This is in connection with the Methane Princess tax lease indemnity provided by Golar under the Omnibus Agreement. Accordingly, these amounts held with Golar will be settled as part of the eventual termination of the Methane Princess lease.

Dividends to China Petroleum Corporation

During the years ended December 31, 2013, 2012 and 2011, Faraway Maritime Shipping Co., which is 60% owned by us and 40% owned by CPC, paid total dividends to CPC of \$10.6 million, \$1.8 million and \$2.4 million, respectively.

Dividends to Golar

Since our IPO in April 2011, we have declared and paid quarterly distributions totaling \$63.7 million, \$47.3 million and \$19.1 million to Golar for each of the years ended December 31, 2013, 2012 and 2011, respectively.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Please see Item 18 — Financial Statements below for additional information required to be disclosed under this item.

Legal Proceedings

From time to time we have been, and expect to continue to be, subject to legal proceedings and claims in the ordinary course of our business, principally personal injury and property casualty claims. These claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

PT Golar Indonesia, our subsidiary that is both the owner and operator of the *NR Satu*, has been notified of a claim that may be filed against it by PT Rekayasa, a subcontractor of the charterer, PT Nusantara Regas, claiming that Golar and its subcontractor caused damage to the pipeline in connection with the FSRU conversion of the *NR Satu* and the related mooring. As of the current date, no suit has been filed and we are of the view that, were the claim to be filed with the Indonesian authorities, any resolution could potentially take years. We continue to believe we have meritorious defences against these claims, however, we are currently involved in compromise settlement discussions with the other parties. An estimate of the compromise settlement amount is between \$2 million and \$4.8 million. Accordingly, we have provided for a \$2 million loss contingency (recorded in current liabilities), but have also recognized an asset for the same, on the basis that we consider it probable that this loss will be recoverable from our subcontractor, who is also a party to these settlement discussions. In addition, as part of the acquisition of *NR Satu* in July 2012, Golar has also agreed to indemnify us against any such non-recoverable losses.

Our Cash Distribution Policy

Rationale for Our Cash Distribution Policy

Our cash distribution policy reflects a judgment that our unitholders will be better served by our distributing our cash available (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves) rather than retaining it. Because we believe we will generally finance any expansion capital expenditures from external financing sources, we believe that our investors are best served by our distributing all of our available cash. Our cash distribution policy is consistent with the terms of our partnership agreement, which requires that we distribute all of our available cash quarterly (after deducting expenses, including estimated maintenance and replacement capital expenditures and reserves).

Limitations on Cash Distributions and Our Ability to Change Our Cash Distribution Policy

There is no guarantee that unitholders will receive quarterly distributions from us. Our distribution policy is subject to certain restrictions and may be changed at any time, including:

- Our unitholders have no contractual or other legal right to receive distributions other than the obligation under our partnership agreement to distribute available cash on a quarterly basis, which is subject to the broad discretion of our board of directors to establish reserves and other limitations.
- We will be subject to restrictions on distributions under our financing arrangements, including the Golar LNG Partners credit facility and lease arrangements. Our financing arrangements contain material financial tests and covenants that must be satisfied in order to pay distributions. If we are unable to satisfy the restrictions included in any of our financing arrangements or are otherwise in default under any of those agreements, it could have a material adverse effect on our ability to make cash distributions to our unitholders, notwithstanding our stated cash distribution policy.
- We are required to make substantial capital expenditures to maintain and replace our fleet. These expenditures may fluctuate significantly over time, particularly as our vessels near the end of their useful lives. In order to minimize these fluctuations, our partnership agreement requires us to deduct estimated, as opposed to actual, maintenance and replacement capital expenditures from the amount of cash that we would otherwise have available for distribution to our unitholders. In years when estimated maintenance and replacement capital expenditures are higher than actual maintenance and replacement capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance and replacement capital expenditures were deducted.
- Although our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including provisions contained therein requiring us to make cash distributions, may be amended. During the subordination period, with certain exceptions, our partnership agreement may not be amended without the approval of non-affiliated common unitholders. After the subordination period has ended, our partnership agreement can be amended with the approval of a majority of the outstanding common units. Golar currently owns approximately 40.3% of our common units and all of our subordinated units.
- Even if our cash distribution policy is not modified or revoked, the amount of distributions we pay under our cash distribution policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement.
- Under Section 51 of the Marshall Islands Act, we may not make a distribution to unitholders if the distribution would cause our liabilities to exceed the fair value of our assets.
- We may lack sufficient cash to pay distributions to our unitholders due to decreases in total operating revenues, decreases in hire rates, the loss of a vessel (including, without limitation, through a customer's exercise of its purchase option) or increases in operating or general and administrative expenses, principal and interest payments on outstanding debt, taxes, working capital requirements, maintenance and replacement capital expenditures or anticipated cash needs. Please read "Item 3—Key Information—Risk Factors" for a discussion of these factors.

Minimum Quarterly Distribution

Common unitholders are entitled under our partnership agreement to receive a quarterly distribution of \$0.3850 per unit, or \$1.54 per unit per year, prior to any distribution on the subordinated units to the extent we have sufficient cash on hand to pay the distribution, after establishment of cash reserves and payment of fees and expenses. There is no guarantee that we will pay the minimum quarterly distribution on the common units and subordinated units in any quarter. Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our policy and the decision to make any distribution is determined by our board of directors, taking into consideration the terms of our partnership agreement. We will be prohibited from making any distributions to unitholders if it would cause an event of default, or an event of default is then existing, under our financing arrangements. Please read “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a discussion of the restrictions contained in our credit facilities and lease arrangements that may restrict our ability to make distributions.

During the year ended December 31, 2013, the aggregate amount of cash distributions paid was \$119.9 million.

In February 2014, we declared and paid a cash distribution of \$0.5225 per unit in respect of the three months ended December 31, 2013. The distribution was paid on February 14, 2014 to all holders of record of common units, subordinated units and the general partner units on February 6, 2014. The aggregate amount of the paid distribution was \$34.0 million.

In April 2014, we declared a cash distribution of \$0.5225 per unit in respect of the three months ended March 31, 2014.

Subordination Period

General

During the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3850 per unit, plus any arrearages in the payment of the minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units. Distribution arrearages do not accrue on the subordinated units. The purpose of the subordinated units is to increase the likelihood that during the subordination period there will be available cash from operating surplus to be distributed on the common units.

Incentive Distribution Rights

Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved. Our general partner and Golar currently hold the incentive distribution rights. The incentive distribution rights may be transferred separately from our general partner interest, subject to restrictions in the partnership agreement. Except for transfers of incentive distribution rights to an affiliate or another entity as part of our general partner’s merger or consolidation with or into, or sale of substantially all of its assets to such entity, the approval of a majority of our common units (excluding common units held by our general partner and its affiliates), voting separately as a class, generally is required for a transfer of the incentive distribution rights to a third party prior to March 31, 2016. Any transfer by our general partner of the incentive distribution rights would not change the percentage allocations of quarterly distributions with respect to such rights.

The following table illustrates the percentage allocations of the additional available cash from operating surplus among the unitholders, our general partner and the holders of the incentive distribution rights up to the various target distribution levels. The amounts set forth under “Marginal Percentage Interest in Distributions” are the percentage interests of the unitholders, our general partner and the holders of the incentive distribution rights in any available cash from operating surplus we distribute up to and including the corresponding amount in the column “Total Quarterly Distribution Target Amount,” until available cash from operating surplus we distribute reaches the next target distribution level, if any. The percentage interests shown for the unitholders, our general partner and the holders of the incentive distribution rights for the minimum quarterly distribution are also applicable to quarterly distribution amounts that are less than the minimum quarterly distribution. The percentage interests shown for our general partner include its 2.0% general partner interest only and assume that our general partner has contributed any capital necessary to maintain its 2.0% general partner interest.

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions		Holders of IDRs
		Unitholders	General Partner	
Minimum Quarterly Distribution	\$0.3850	98.0%	2.0%	0%
First Target Distribution	up to \$0.4428	98.0%	2.0%	0%
Second Target Distribution	above \$0.4428 up to \$0.4813	85.0%	2.0%	13.0%
Third Target Distribution	above \$0.4813 up to \$0.5775	75.0%	2.0%	23.0%
Thereafter	above \$0.5775	50.0%	2.0%	48.0%

B. Significant Changes

Not applicable.

Item 9. The Offer and Listing.

C. Markets

Our common units started trading on The Nasdaq Global Market under the symbol “GMLP” on April 8, 2011.

The following table sets forth the high and low prices for the common units on the Nasdaq since the date of listing for the periods indicated.

	High	Low
Year ended December 31, 2013	\$ 36.00	\$ 27.55
Year ended December 31, 2012	\$ 39.05	\$ 25.52
Year ended December 31, 2011(1)	\$ 30.91	\$ 22.41
First quarter 2014	\$ 31.70	\$ 28.66
Fourth quarter 2013	\$ 33.22	\$ 27.55
Third quarter 2013	\$ 34.78	\$ 30.75
Second quarter 2013	\$ 36.00	\$ 30.53
First quarter 2013	\$ 33.07	\$ 28.90
Fourth quarter 2012	\$ 33.02	\$ 25.52
Third quarter 2012	\$ 35.00	\$ 26.43
Second quarter 2012	\$ 37.86	\$ 28.01
Month ended March 31, 2014	\$ 31.53	\$ 28.66
Month ended February 28, 2014	\$ 31.70	\$ 29.09
Month ended January 31, 2014	\$ 31.68	\$ 29.51
Month ended December 31, 2013	\$ 31.97	\$ 27.55
Month ended November 30, 2013	\$ 32.23	\$ 29.86
Month ended October 31, 2013	\$ 33.22	\$ 30.80

(1) For the period from April 8, 2011 through December 31, 2011.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information required to be disclosed under Item 10B is incorporated by reference to our Registration Statement on Form 8-A filed with the SEC on April 5, 2011.

C. Material Contracts

The following is a summary of each material contract, other than material contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the two years immediately preceding the date of this Annual Report, each of which is included in the list of exhibits in Item 19:

1. Credit facility agreement dated September 29, 2008 providing for a Senior Secured Revolving Credit Facility by and among Golar LNG Partners L.P. (as borrower) and the Banks and Financial Institutions Referred to therein (as lenders). In September 2008, we entered into a revolving credit facility with a banking consortium to refinance existing loan facilities in respect of two of our vessels, the *Methane Princess* and the *Golar Spirit* (or the Golar LNG Partners credit facility). The loan is secured against the *Golar Spirit* and assignment to the lending bank of a mortgage given to us by the lessors of the *Methane Princess* and the *Golar Spirit*, with a second priority charge over the *Golar Mazo*. The Golar LNG Partners credit facility accrues floating interest at a rate per annum equal to LIBOR plus a margin. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a summary of certain terms.
2. Omnibus Agreement dated April 13, 2011, by and among Golar LNG Ltd., Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions for a summary of certain contract terms.”
3. Amendment No. 1 to Omnibus Agreement, dated October 5, 2011 by and among Golar LNG Ltd., Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions for a summary of certain contract terms.”
4. First Amended and Restated Management and Administrative Services Agreement between Golar LNG Partners LP and Golar Management Limited. In connection with our initial public offering, we entered into a management and administrative services agreement (as amended and restated, the management and administrative services agreement) with Golar Management, pursuant to which Golar Management agreed to provide certain management and administrative support services to us. As of July 1, 2011, we and Golar Management entered into an amended and restated management and administrative services agreement to reflect changes in the titles of certain of our officers. The material provisions of the amended and restated management and administrative services agreement, including terms related to our obligations and the obligations of Golar Management to provide us with services, remain unchanged from those contained in the management and administrative services agreement entered into at the time of our initial public offering. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions” for a summary of certain contract terms.
5. Contribution and Conveyance Agreement, dated as of April 5, 2011, among Golar LNG Limited, Golar GP LLC, Golar LNG Partners LP, Golar LNG Holding Co., and Golar Partners Operating LLC, pursuant to which, among other things, Golar contributed interests in certain vessels in our initial fleet to us in connection with our initial public offering.
6. Time Charter Party dated July 2, 1997 between Faraway Maritime Shipping Company and Pertamina. See “Item 4—Information on the Partnership—Business Overview—Charters” for a summary of certain contract terms.
7. Time Charter Party dated August 27, 2003 between Golar 2215 UK Ltd. and Methane Services Limited. See “Item 4—Information on the Partnership—Business Overview—Charters” for a summary of certain contract terms.
8. Time Charter Party dated September 4, 2007 between *Golar Spirit* UK Ltd. and Petróleo Brasileiro S.A. “Item 4—Information on the Partnership—Business Overview—Charters” for a summary of certain contract terms.
9. Operation and Services Agreement dated September 4, 2007 between Golar Serviços de Operação de Embarcações Limitada and Petróleo Brasileiro S.A. “Item 4—Information on the Partnership—Business Overview—Charters” for a summary of certain contract terms.
10. Time Charter Party dated September 4, 2007 between *Golar Winter* UK Ltd. and Petróleo Brasileiro S.A. See “Item 4—Information on the Partnership—Business Overview—Charters” for a summary of certain contract terms.

11. Operation and Services Agreement dated September 4, 2007 between Golar Serviços de Operação de Embarcações Limitada and Petróleo Brasileiro S.A. See “Item 4—Information on the Partnership—Business Overview—Charters” for a summary of certain contract terms.
12. \$20.0 Million Revolving Credit Agreement by and between Golar LNG Partners LP and Golar LNG Limited. In connection with our initial public offering, we entered into a \$20.0 million revolving credit facility (or the sponsor credit facility) with Golar, to be used to fund our working capital requirements. The facility has a term of four years and is interest-free and unsecured. As of December 31, 2011, we had not borrowed under the facility. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a summary of certain terms.
13. Purchase, Sale and Contribution Agreement, dated October 5, 2011, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the *Golar Freeze*. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions” for a summary of certain contract terms.
14. Purchase, Sale and Contribution Agreement, dated July 9, 2012, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the *NR Satu*. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions” for a summary of certain contract terms.
15. Purchase, Sale and Contribution Agreement, dated November 1, 2012, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the *Golar Grand*. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions” for a summary of certain contract terms.
16. \$175 million Facility Agreement, dated December 14, 2012, by and among a group of banks as the lender and PT Golar Indonesia as the borrower. PT Golar Indonesia, the company that owns and operates the FSRU, *NR Satu*, entered into a 7 year secured loan facility. The total facility amount is \$175 million and is split into two tranches, a \$155 million term loan facility and a \$20 million revolving facility. The facility is with a syndicate of banks and bears interest at LIBOR plus a margin of 3.5%. PT Golar Indonesia drew down \$155 million on the term loan facility in December 2012. The loan is payable on a quarterly basis with a final balloon payment of \$52.5 million payable after 7 years. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a summary of certain terms.
17. Purchase, Sale and Contribution Agreement, dated January 30, 2013, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the *Golar Maria*. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions” for a summary of certain contract terms.
18. Bond Agreement dated October 11, 2012 between Golar LNG Partners LP and Norsk Tillitsmann ASA as bond trustee. We completed the issuance of NOK 1,300 million senior unsecured bonds that mature in October 2017. The bonds bear interest at a rate equal to 3 months NIBOR plus a margin of 5.20% payable quarterly. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a summary of certain terms.
19. \$275 million Facility Agreement, dated June 25, 2013, by and among a group of banks as the lender and Golar Partners Operating LLC as the borrower. We refinanced existing lease financing arrangements in respect of two vessels, the *Golar Winter* and the *Golar Grand*, and entered into a new five year, \$275 million loan facility with a banking consortium. The total facility amount is \$275 million and is split into two tranches, a \$225 million term loan facility and a \$50 million revolving facility. The facility bears interest at LIBOR plus a margin of 3%. We drew down \$225 million on the term loan facility in June 2013. The loan is payable on a quarterly basis with a final balloon payment of \$130 million payable after 5 years. See “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources” for a summary of certain terms.
20. Purchase, Sale and Contribution Agreement, dated December 5, 2013, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the *Golar Igloo*. See “Item 7—Major Unitholders and Related Party Transactions—Certain Relationships and Related Party Transactions” for a summary of certain contract terms.

D. Exchange Controls

We are not aware of any governmental laws, decrees or regulations, including foreign exchange controls, in the Republic of The Marshall Islands that restrict the export or import of capital, or that affect the remittance of dividends, interest or other payments to non-resident holders of our securities.

We are not aware of any limitations on the right of non-resident or foreign owners to hold or vote our securities imposed by the laws of the Republic of The Marshall Islands or our partnership agreement.

E. Taxation

Material U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax considerations that may be relevant to prospective unitholders.

This discussion is based upon provisions of the Code, Treasury Regulations, and current administrative rulings and court decisions, all as in effect or existence on the date of this Annual Report and all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences of unit ownership to vary substantially from the consequences described below. Unless the context otherwise requires, references in this section to “we,” “our” or “us” are references to Golar LNG Partners LP.

The following discussion applies only to beneficial owners of common units that own the common units as “capital assets” within the meaning of Section 1221 of the Code (*i.e.*, generally, for investment purposes) and is not intended to be applicable to all categories of investors, such as unitholders subject to special tax rules (*e.g.*, financial institutions, insurance companies, broker-dealers, tax-exempt organizations, retirement plans or individual retirement accounts or former citizens or long-term residents of the United States), persons who will hold the units as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes, or persons that have a functional currency other than the U.S. dollar, each of whom may be subject to tax rules that differ significantly from those summarized below. If a partnership or other entity classified as a partnership for U.S. federal income tax purposes holds our common units, the tax treatment of its partners generally will depend upon the status of the partner and the activities of the partnership. Unitholders who are partners in a partnership holding our common units, should consult a tax advisor regarding the tax consequences to them of the partnership’s ownership of our common units.

No ruling has been or will be requested from the IRS regarding any matter affecting us or our unitholders. The statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court.

This discussion does not contain information regarding any U.S. state or local, estate, gift or alternative minimum tax considerations concerning the ownership or disposition of common units. This discussion does not comment on all aspects of U.S. federal income taxation that may be important to particular unitholders in light of their individual circumstances, and each prospective unitholder is urged to consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of common units.

Election to be Treated as a Corporation

We have elected to be treated as a corporation for U.S. federal income tax purposes. Consequently, among other things, U.S. Holders (as defined below) will not be directly subject to U.S. federal income tax on our income, but rather will be subject to U.S. federal income tax on distributions received from us and dispositions of units as described below.

U.S. Federal Income Taxation of U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of our common units that owns (actually or constructively) less than 10.0% of our equity and that is:

- an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes),
- a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) organized under the laws of the United States or any of its political subdivisions,
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust if (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

Distributions

Subject to the discussion below of the rules applicable to PFICs, any distributions to a U.S. Holder made by us with respect to our common units generally will constitute dividends, which may be taxable as ordinary income or “qualified dividend income” as described in more detail below, to the extent of our current and accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in its common units and, thereafter, as capital gain. U.S. Holders that are corporations generally will not be entitled to claim dividends received deduction with respect to distributions they receive from us because we are not a U.S. corporation. Dividends received with respect to our common units generally will be treated as “passive category income” for purposes of computing allowable foreign tax credits for U.S. federal income tax purposes.

Dividends received with respect to our common units by a U.S. Holder that is an individual, trust or estate (or a U.S. Individual Holder) generally will be treated as “qualified dividend income,” which is currently taxable to such U.S. Individual Holder at preferential capital gain tax rates provided that: (i) our common units are readily tradable on an established securities market in the United States (such as The Nasdaq Global Market on which our common units are traded); (ii) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been or will be, as discussed below under “—U.S. Federal Income Taxation of U.S. Holders—PFIC Status and Significant Tax Consequences”); (iii) the U.S. Individual Holder has owned the common units for more than 60 days during the 121-day period beginning 60 days before the date on which the common units become ex-dividend (and has not entered into certain risk limiting transactions with respect to such common units); and (iv) the U.S. Individual Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. There is no assurance that any dividends paid on our common units will be eligible for these preferential rates in the hands of a U.S. Individual Holder, and any dividends paid on our common units that are not eligible for these preferential rates will be taxed as ordinary income to a U.S. Individual Holder.

Special rules may apply to any amounts received in respect of our common units that are treated as “extraordinary dividends.” In general, an extraordinary dividend is a dividend with respect to a common unit that is equal to or in excess of 10.0% of a unitholder’s adjusted tax basis (or fair market value upon the unitholder’s election) in such common unit. In addition, extraordinary dividends include dividends received within a one year period that, in the aggregate, equal or exceed 20.0% of a unitholder’s adjusted tax basis (or fair market value). If we pay an “extraordinary dividend” on our common units that is treated as “qualified dividend income,” then any loss recognized by a U.S. Individual Holder from the sale or exchange of such common units will be treated as long-term capital loss to the extent of the amount of such dividend.

Medicare Tax on Net Investment Income

Certain U.S. Holders, including individuals, estates and trusts, will be subject to an additional 3.8% Medicare tax on, among other things, dividends and capital gains from the sale or other disposition of equity interests. For individuals, the additional Medicare tax applies to the lesser of (i) “net investment income” or (ii) the excess of “modified adjusted gross income” over \$200,000 (\$250,000 if married and filing jointly or \$125,000 if married and filing separately). “Net investment income” generally equals the taxpayer’s gross investment income reduced by deductions that are allocable to such income. Unitholders should consult their tax advisors regarding the implications of the additional Medicare tax resulting from their ownership and disposition of our common units.

Sale, Exchange or Other Disposition of Common Units

Subject to the discussion of PFIC status below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our units in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder’s adjusted tax basis in such units. The U.S. Holder’s initial tax basis in its units generally will be the U.S. Holder’s purchase price for the units and that tax basis will be reduced (but not below zero) by the amount of any distributions on the units that are treated as non-taxable returns of capital. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder’s holding period is greater than one year at the time of the sale, exchange or other disposition. Certain U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. A U.S. Holder’s ability to deduct capital losses is subject to limitations. Such capital gain or loss generally will be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes.

PFIC Status and Significant Tax Consequences

Adverse U.S. federal income tax rules apply to a U.S. Holder that owns an equity interest in a non-U.S. corporation that is classified as a PFIC for U.S. federal income tax purposes. In general, we will be treated as a PFIC with respect to a U.S. Holder if, for any taxable year in which the holder held our units, either:

- at least 75.0% of our gross income (including the gross income of our vessel-owning subsidiaries) for such taxable year consists of passive income (*e.g.*, dividends, interest, capital gains from the sale or exchange of investment property, and rents derived other than in the active conduct of a rental business); or
- at least 50.0% of the average value of the assets held by us (including the assets of our vessel-owning subsidiaries) during such taxable year produce, or are held for the production of, passive income.

Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income generally would constitute “passive income” unless we were treated as deriving that rental income in the active conduct of a trade or business under the applicable rules.

Based on our current and projected method of operation, we believe that we were not a PFIC for any taxable year, and we expect that we will not be treated as a PFIC for any future taxable year. We believe that more than 25.0% of our gross income for each taxable year was or will be nonpassive income and more than 50.0% of the average value of our assets for each such year was or will be held for the production of such nonpassive income. This belief is based on certain valuation and projections regarding our assets, income and charters, and its validity is conditioned on the accuracy of such valuations and projections.

While we believe such valuations and projections to be accurate, the shipping market is volatile and no assurance can be given that they will continue to be accurate at any time in the future. Moreover, there are legal uncertainties involved in determining whether the income derived from time-chartering activities constitutes rental income or income derived from the performance of services. While there is legal authority supporting our conclusions, including IRS pronouncements concerning the characterization of income derived from time charters as services income, the United States Court of Appeals for the Fifth Circuit (or the Fifth Circuit) held in *Tidewater Inc. v. United States*, 565 F.3d 299 (5th Cir. 2009) that income derived from certain marine time charter agreements should be treated as rental income rather than services income for purposes of a “foreign sales corporation” provision of the Code. In that case, the Fifth Circuit did not address the definition of passive income or the PFIC rules; however, the reasoning of the case could have implications as to how the income from a time charter would be classified under such rules. If the reasoning of this case were extended to the PFIC context, the gross income we derive or are deemed to derive from our time chartering activities may be treated as rental income, and we would likely be treated as a PFIC. The IRS has announced its nonacquiescence with the court's holding in the *Tidewater* case and, at the same time, announced the position of the IRS that the marine time charter agreements at issue in that case should be treated as service contracts.

Distinguishing between arrangements treated as generating rental income and those treated as generating services income involves weighing and balancing competing factual considerations, and there is no legal authority under the PFIC rules addressing our specific method of operation. Conclusions in this area therefore remain matters of interpretation. We are not seeking a ruling from the IRS on the treatment of income generated from our time chartering operations. Thus, it is possible that the IRS or a court could disagree with this position. In addition, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure unitholders that the nature of our operations will not change in the future and that we will not become a PFIC in any future taxable year.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a “Qualified Electing Fund,” which we refer to as a “QEF election.” As an alternative to making a QEF election, a U.S. Holder should be able to make a “mark-to-market” election with respect to our common units, as discussed below. If we are a PFIC, a U.S. Holder will be subject to the PFIC rules described herein with respect to any of our subsidiaries that are PFICs. However, the mark-to-market election discussed below will likely not be available with respect to shares of such PFIC subsidiaries. In addition, if a U.S. Holder owns our common units during any taxable year that we are a PFIC, such holder must file an annual report with the IRS.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election (or an Electing Holder), then, for U.S. federal income tax purposes, that holder must report as income for its taxable year its pro rata share of our ordinary earnings and net capital gain, if any, for our taxable years that end with or within the taxable year for which that holder is reporting, regardless of whether or not the Electing Holder received distributions from us in that year. The Electing Holder's adjusted tax basis in the common units will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that were previously taxed will result in a corresponding reduction in the Electing Holder's adjusted tax basis in common units and will not be taxed again once distributed. An Electing Holder generally will recognize capital gain or loss on the sale, exchange or other disposition of our common units. A U.S. Holder makes a QEF election with respect to any year that we are a PFIC by filing IRS Form 8621 with its U.S. federal income tax return. If contrary to our expectations, we determine that we are treated as a PFIC for any taxable year, we will provide each U.S. Holder with the information necessary to make the QEF election described above.

Taxation of U.S. Holders Making a "Mark-to-Market" Election

If we were to be treated as a PFIC for any taxable year and, as we anticipate, our units were treated as "marketable stock," then, as an alternative to making a QEF election, a U.S. Holder would be allowed to make a "mark-to-market" election with respect to our common units, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the U.S. Holder's common units at the end of the taxable year over the holder's adjusted tax basis in the common units. The U.S. Holder also would be permitted an ordinary loss in respect of the excess, if any, of the U.S. Holder's adjusted tax basis in the common units over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's tax basis in its common units would be adjusted to reflect any such income or loss recognized. Gain recognized on the sale, exchange or other disposition of our common units would be treated as ordinary income, and any loss recognized on the sale, exchange or other disposition of the common units would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income by the U.S. Holder. Because the mark-to-market election only applies to marketable stock, however, it would not apply to a U.S. Holder's indirect interest in any of our subsidiaries that were determined to be PFICs.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election

If we were to be treated as a PFIC for any taxable year, a U.S. Holder that does not make either a QEF election or a "mark-to-market" election for that year (or a Non-Electing Holder) would be subject to special rules resulting in increased tax liability with respect to (1) any excess distribution (*i.e.*, the portion of any distributions received by the Non-Electing Holder on our common units in a taxable year in excess of 125.0% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common units), and (2) any gain realized on the sale, exchange or other disposition of the units. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common units;
- the amount allocated to the current taxable year and any taxable year prior to the taxable year we were first treated as a PFIC with respect to the Non-Electing Holder would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayers for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of our common units. If we were treated as a PFIC for any taxable year and a Non-Electing Holder who is an individual dies while owning our common units, such holder's successor generally would not receive a step-up in tax basis with respect to such units.

U.S. Federal Income Taxation of Non-U.S. Holders

A beneficial owner of our common units (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder is referred to as a Non-U.S. Holder. Unitholders who are a partner in a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holding our common units, should consult a tax advisor regarding the tax consequences to them of the partnership's ownership of our common units.

Distributions

Distributions we pay to a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a U.S. trade or business. If the Non-U.S. Holder is engaged in a U.S. trade or business, our distributions will be subject to U.S. federal income tax to the extent they constitute income effectively connected with the Non-U.S. Holder's U.S. trade or business. However, distributions paid to a Non-U.S. Holder that is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income arising from the distribution is not attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder.

Disposition of Units

In general, a Non-U.S. Holder is not subject to U.S. federal income tax or withholding tax on any gain resulting from the disposition of our common units provided the Non-U.S. Holder is not engaged in a U.S. trade or business. A Non-U.S. Holder that is engaged in a U.S. trade or business will be subject to U.S. federal income tax in the event the gain from the disposition of units is effectively connected with the conduct of such U.S. trade or business (provided, in the case of a Non-U.S. Holder entitled to the benefits of an income tax treaty with the United States, such gain also is attributable to a U.S. permanent establishment). However, even if not engaged in a U.S. trade or business, individual Non-U.S. Holders may be subject to tax on gain resulting from the disposition of our common units if they are present in the United States for 183 days or more during the taxable year in which those units are disposed and meet certain other requirements.

Backup Withholding and Information Reporting

In general, payments to a non-corporate U.S. Holder of distributions or the proceeds of a disposition of common units will be subject to information reporting. These payments to a non-corporate U.S. Holder also may be subject to backup withholding if the non-corporate U.S. Holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or corporate distributions required to be reported on its U.S. federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

Backup withholding is not an additional tax. Rather, a unitholder generally may obtain a credit for any amount withheld against its liability for U.S. federal income tax (and obtain a refund of any amounts withheld in excess of such liability) by timely filing a U.S. federal income tax return with the IRS.

In addition, individual citizens or residents of the United States holding certain "foreign financial assets" (which generally includes stock and other securities issued by a foreign person unless held in account maintained by a financial institution) that exceed certain thresholds (the lowest being holding foreign financial assets with an aggregate value in excess of: (1) \$50,000 on the last day of the tax year or (2) \$75,000 at any time during the tax year) are required to report information relating to such assets. Significant penalties may apply for failure to satisfy the reporting obligations described above. Unitholders should consult their tax advisors regarding their reporting obligations, if any, result of their purchase, ownership or disposition of our units.

Non-United States Tax Considerations

Marshall Islands Tax Consequences

The following discussion is based upon the current laws of the Republic of the Marshall Islands applicable to persons who do not reside in, maintain offices in or engage in business in the Republic of the Marshall Islands.

We and certain of our subsidiaries are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to unitholders that are not residents or domiciled or carrying any commercial activity in the Marshall Islands, nor will such unitholders be subject to any Marshall Islands taxation on the sale or other disposition of common units.

United Kingdom Tax Consequences

The following is a discussion of the material United Kingdom tax consequences that may be relevant to prospective unitholders who are persons not resident or individuals not ordinarily resident for tax purposes in the United Kingdom (*non-U.K. Holders*).

Prospective unitholders who are resident or ordinarily resident in the United Kingdom are urged to consult their own tax advisors regarding the potential United Kingdom tax consequences to them of an investment in our common units. For this purpose, a company incorporated outside of the United Kingdom will be treated as resident in the United Kingdom in the event its central management and control is carried out in the United Kingdom.

The discussion that follows is based upon existing United Kingdom legislation and current H.M. Revenue & Customs practice as of the date of this Annual Report. Changes in these authorities may cause the tax consequences to vary substantially from the consequences of unit ownership described below. Unless the context otherwise requires, references in this section to “we,” “our” or “us” are references to Golar LNG Partners LP.

Taxation of Non-U.K. Holders

Under the United Kingdom Tax Acts, non-U.K. holders will not be subject to any United Kingdom taxes on income or profits (including chargeable (capital) gains) in respect of the acquisition, holding, disposition or redemption of the common units, provided that:

- we are not treated as carrying on business in the United Kingdom;
- such holders do not have a fixed base or permanent establishment in the United Kingdom to which such common units pertain; and
- such holders do not use or hold and are not deemed or considered to use or hold their common units in the course of carrying on a business in the United Kingdom.

A non-United Kingdom resident company or an individual not resident or ordinarily resident in the United Kingdom that carries on a business in the United Kingdom through a partnership is subject to United Kingdom tax on income derived from the business carried on by the partnership in the United Kingdom. Nonetheless, we expect to conduct our affairs in such a manner that we will not be treated as carrying on business in the United Kingdom. Consequently, we expect that non-U.K. Holders will not be considered to be carrying on business in the United Kingdom for the purposes of the United Kingdom Tax Acts solely by reason of the acquisition, holding, disposition or redemption of their common units.

While we do not expect it to be the case, if the arrangements we propose to enter into result in our being considered to carry on business in the United Kingdom for the purposes of the United Kingdom Tax Acts, our unitholders would be considered to be carrying on business in the United Kingdom and would be required to file tax returns with the United Kingdom taxing authority and, subject to any relief provided in any relevant double taxation treaty (including, in the case of holders resident in the United States, the double taxation agreement between the United Kingdom and the United States), would be subject to taxation in the United Kingdom on any income and chargeable gains that are considered to be attributable to the business carried on by us in the United Kingdom.

EACH PROSPECTIVE UNITHOLDER IS URGED TO CONSULT HIS OWN TAX COUNSEL OR OTHER ADVISOR WITH REGARD TO THE LEGAL AND TAX CONSEQUENCES OF UNIT OWNERSHIP UNDER THEIR PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

Documents concerning us that are referred to herein may be inspected at our principal executive headquarters at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda. Those documents electronically filed via the SEC's Electronic Data Gathering, Analysis, and Retrieval (or EDGAR) system may also be obtained from the SEC's website at www.sec.gov, free of charge, or from the SEC's Public Reference Section at 100 F Street, NE, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC public reference rooms may be obtained by calling the SEC at 1-800-SEC-0330.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including interest rate and foreign currency exchange risks. We enter into a variety of derivative instruments and contracts to maintain the desired level of exposure arising from these risks.

Our policy is to hedge our exposure to risks, where possible, within boundaries deemed appropriate by management.

A discussion of our accounting policies for derivative financial instruments is included in Note 2 — Significant Accounting Policies to our audited consolidated and combined financial statements. Further information on our exposure to market risk is included in Note 23 — Financial Instruments to our audited consolidated and combined financial statements included elsewhere in this Annual Report.

The following analyses provide quantitative information regarding our exposure to foreign currency exchange rate risk and interest rate risk. There are certain shortcomings inherent in the sensitivity analyses presented, primarily due to the assumption that exchange rates change in a parallel fashion and that interest rates change instantaneously.

Interest rate risk. A significant portion of our long-term debt and capital lease obligations is subject to adverse movements in interest rates. Our interest rate risk management policy permits economic hedge relationships in order to reduce the risk associated with adverse fluctuations in interest rates. We use interest rate swaps and fixed rate debt to manage the exposure to adverse movements in interest rates. Interest rate swaps are used to convert floating rate debt obligations to a fixed rate in order to achieve an overall desired position of fixed and floating rate debt. Credit exposures are monitored on a counterparty basis, with all new transactions subject to senior management approval.

As of December 31, 2013, the notional amount of the designated interest rate swaps hedged against our debt and net capital lease obligation, net of restricted cash, was \$514.3 million. The principal of the loans and net capital lease obligations, net of restricted cash, outstanding as of December 31, 2013 was \$878.3 million. Based on our floating rate debt and net capital lease obligations outstanding of \$364.0 million as of December 31, 2013, a 1% increase in the floating interest rate would increase interest expense by \$3.9 million for the year ended December 31, 2013. For disclosure of the fair value of the derivatives and debt obligations outstanding as of December 31, 2013, please read Note 23 to the Golar LNG Partners audited consolidated and combined financial statements included elsewhere in this Annual Report.

Foreign currency risk. A substantial amount of our transactions, assets and liabilities are denominated in currencies other than U.S. Dollars, such as GBPs, in relation to the administrative expenses we will be charged by Golar Management in the UK and operating expenses incurred in a variety of foreign currencies and Brazilian Reais in respect of our Brazilian subsidiary which receives income and pays expenses in Brazilian Reais. Based on our GBP expenses for the year ended December 31, 2013, a 10% depreciation of the U.S. Dollar against GBP would have increased our expenses by approximately \$0.6 million. Based on our Brazilian Reais expenses for the year ended December 31, 2013, a 10% depreciation of the U.S. Dollar against the Brazilian Reais would have increased our net revenue and expenses by approximately \$0.8 million.

The base currency of the majority of our seafaring officers' remuneration was the Euro, Indonesian Rupiah or Brazilian Reais. Based on the crew costs for the year ended December 31, 2013, a 10% depreciation of the U.S. Dollar against the Euro, Indonesian Rupiah and the Brazilian Reais would increase our crew cost by approximately \$1.7 million.

We are exposed to some extent in respect of the lease transaction entered into with respect to the *Methane Princess*, which is denominated in British Pounds, although it is hedged by the British Pound cash deposit that secures the obligations under the lease. We use cash from the deposit to make payments in respect of the lease transaction entered into with respect to the *Methane Princess*. Gains or losses that we incur are unrealized unless we choose or are required to withdraw monies from or pay additional monies into the deposit securing this obligation. Among other things, movements in interest rates give rise to a requirement for us to adjust the amount of the British Pound cash deposit. Based on this lease obligation and the related cash deposit as of December 31, 2013, a 10% appreciation in the U.S. Dollar against British Pounds would give rise to a foreign exchange movement of approximately \$0.8 million.

We issued senior unsecured high-yield bonds denominated in Norwegian Kroner. We are therefore exposed to the currency movements on the liability of \$214.1 million as of December 31, 2013. In order to hedge this exposure, we entered into cross currency interest rate swaps with banks to exchange our Norwegian payment obligations into U.S. Dollar payment obligations. We could be exposed to a currency fluctuation risk if upon the occurrence of a change of control event, the bondholders exercise their right of pre-payment.

Item 12. Description of Securities Other than Equity Securities

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

In April 2013, we received waivers relating to the requirement under the Golar LNG Partners credit facility and the Golar Freeze facility relating to change of control over the Partnership. Following the grant of such waivers, in order to permanently resolve this issue, our loan facilities affected by Golar's loss of control over us were amended in June 2013. As of December 31, 2013, we were in compliance with all covenants under our bond agreement and credit facilities.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

Management assessed the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Exchange Act of 1934, as of the end of the period covered by this annual report as of December 31, 2013. Based upon that evaluation, our principal executive officer and principal financial and accounting officer concluded that our disclosure controls and procedures were effective as of the evaluation date.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) promulgated under the Exchange Act.

Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the our principal executive and principal financial officers and effected by the Partnership's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that;

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Partnership;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Partnership's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Management conducted the evaluation of the effectiveness of the internal controls over financial reporting using the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published in its report entitled Internal Control-Integrated Framework.

Our management with the participation of our principal executive officer and principal financial and accounting officer assessed the effectiveness of the design and operation of the Partnership's internal controls over financial reporting pursuant to Rule 13a-15 of the Exchange Act, as of December 31, 2013. Based upon that evaluation, management with the participation of the principal executive officer and principal financial and accounting officer concluded that our internal controls over financial reporting are effective as of December 31, 2013.

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting.

(c) Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Partnership's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on page F-2 of our Consolidated Financial Statements.

(d) Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, the Partnership's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Kate Blankenship qualifies as an audit committee financial expert and is independent under applicable Nasdaq and SEC standards.

Item 16B. Code of Ethics

We have adopted the Golar LNG Partners LP Corporate Code of Business Ethics and Conduct that applies to all of our employees and our officers and directors. This document is available under the "Corporate Governance" tab in the "Investor Relations" section of our website (www.golarlngpartners.com). We intend to disclose, under this tab of our web site, any waivers to or amendments of the Golar LNG Partners LP Corporate Code of Business Ethics and Conduct for the benefit of any of our directors and executive officers.

Item 16C. Principal Accountant Fees and Services

Our principal accountant for 2013 was PricewaterhouseCoopers LLP.

Fees Incurred by the Partnership for PricewaterhouseCoopers LLP's Services

In 2013 and 2012, the fees rendered by the auditors were as follows:

	2013	2012
Audit Fees	\$ 847,579	\$ 795,784
Tax Fees	33,670	16,527
All Other Fees	—	4,451
	<u>\$ 881,249</u>	<u>\$ 816,762</u>

Audit Fees

Audit fees for 2013 and 2012 include fees related to aggregate fees billed for professional services rendered by the principal accountant for the audit of the Partnership's annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements for the two most recent fiscal years.

In addition, audit fees in 2013 include fees of \$0.2 million relating to professional services comprising of assurance work in connection with financing and other agreements in connection with our acquisition of the *Golar Maria* in January 2013 and our December 2013 Equity Offerings.

Audit fees in 2012 include fees of \$0.4 million relating to professional services comprising of assurance work in connection with financing and other agreements in connection with our acquisition of the *NR Satu* and the *Golar Grand* in July 2012 and November 2012, respectively, and our equity offerings in 2012.

Tax Fees

Tax fees for 2013 and 2012 are primarily for tax consultation services.

The audit committee has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the audit committee or entered into pursuant to detailed pre-approval policies and procedures established by the audit committee, as long as the audit committee is informed on a timely basis of any engagement entered into on that basis. The audit committee separately pre-approved all engagements and fees paid to our principal accountant in 2013.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrants' Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Because we qualify as a foreign private issuer under SEC rules, we are permitted to follow the corporate governance practices of the Marshall Islands (the jurisdiction in which we are organized) in lieu of certain Nasdaq corporate governance requirements that would otherwise be applicable to us.

Nasdaq rules do not require a listed company that is a foreign private issuer to have a board of directors that is comprised of a majority of independent directors. Under Marshall Islands law, we are not required to have a board of directors comprised of a majority of directors meeting the independence standards described in Nasdaq rules. In addition, Nasdaq rules do not require limited partnerships like us to have boards of directors comprised of a majority of independent directors. As of April 25, 2014, our board of directors comprised of a majority of independent directors.

Nasdaq rules do not require foreign private issuers like us to establish a compensation committee or a nominating/corporate governance committee. Similarly, under Marshall Islands law, we are not required to have a compensation committee or a nominating/corporate governance committee. In addition, Nasdaq rules do not require limited partnerships like us to have a compensation committee or a nominating/corporate governance committee. Accordingly, we will not have a compensation committee or a nominating/corporate governance committee.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The following financial statements, together with the related reports of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm thereon, are filed as part of this Annual Report appearing on pages F-1 through F-44.

Item 19. Exhibits

The following exhibits are filed as part of this Annual Report:

Exhibit Number	Description
1.1	Certificate of Limited Partnership of Golar LNG Partners LP (incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
1.2**	First Amended and Restated Agreement of Limited Partnership of Golar LNG Partners LP
4.1	Facility Agreement dated September 29, 2008 for a Senior Secured Revolving Credit Facility by and among Golar LNG Partners L.P. (as borrower) and the Banks and Financial Institutions Referred to therein (as lenders) (incorporated by reference to Exhibit 10.1 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.2**	Omnibus Agreement dated April 13, 2011, by and among Golar LNG Ltd., Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited
4.2(a)**	Amendment No. 1 to Omnibus Agreement, dated October 5, 2011 by and among Golar LNG Ltd., Golar LNG Partners LP, Golar GP LLC and Golar Energy Limited
4.3**	First Amended and Restated Management and Administrative Services Agreement, effective as of July 1, 2011, between Golar LNG Partners LP and Golar Management Limited
4.4**	Contribution and Conveyance Agreement, dated as of April 5, 2011, among Golar LNG Limited, Golar GP LLC, Golar LNG Partners LP, Golar LNG Holding Co., and Golar Partners Operating LLC
4.5†	Time Charter Party dated July 2, 1997 between Faraway Maritime Shipping Company and Pertamina (incorporated by reference to Exhibit 10.5 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.6†	Time Charter Party dated August 27, 2003 between Golar 2215 UK Ltd. and Methane Services Limited (incorporated by reference to Exhibit 10.6 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.7†	Time Charter Party dated September 4, 2007 between <i>Golar Spirit</i> UK Ltd. and Petróleo Brasileiro S.A. (incorporated by reference to Exhibit 10.7 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.10†	Time Charter Party dated September 4, 2007 between <i>Golar Winter</i> UK Ltd. and Petróleo Brasileiro S.A. (incorporated by reference to Exhibit 10.10 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.11†	Operation and Services Agreement dated September 4, 2007 between Golar Serviços de Operação de Embarcações Limitada and Petróleo Brasileiro S.A. (incorporated by reference to Exhibit 10.11 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.13	Form of Management Agreement with Golar Management Limited (incorporated by reference to Exhibit 10.13 to the registrant's Registration Statement on Form F-1 (Registration No. 333-173160))
4.14**	\$20.0 Million Revolving Credit Agreement by and between Golar LNG Partners LP and Golar LNG Limited
4.15**	Purchase, Sale and Contribution Agreement, dated October 5, 2011, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the <i>Golar Freeze</i>
4.16**	Loan Agreement, dated October 18, 2011, by and between Golar LNG Limited as the lender and Golar LNG Partners LP as the borrower

Exhibit Number	Description
4.17	Purchase, Sale and Contribution Agreement, dated July 9, 2012, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the <i>NR Satu</i> (incorporated by reference to Exhibit 10.2 to the registrant's Report of Foreign Issuer on Form 6-K filed on July 16, 2012)
4.18	Purchase, Sale and Contribution Agreement, dated November 1, 2012, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the <i>Golar Grand</i> (incorporated by reference to Exhibit 10.2 to the registrant's Report of Foreign Issuer on Form 6-K filed on November 6, 2012)
4.19	\$175 million Facility Agreement, dated December 14, 2012, by and among a group of banks as the lender and PT Golar Indonesia as the borrower (incorporated by reference to Exhibit 10.3 to the registrant's Report of Foreign Issuer on Form 6-K filed on February 5, 2013)
4.20	Purchase, Sale and Contribution Agreement, dated January 30, 2013, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the <i>Golar Maria</i> (incorporated by reference to Exhibit 10.2 to the registrant's Report of Foreign Issuer on Form 6-K filed on February 5, 2013)
4.21	Bond Agreement dated October 11, 2012 between Golar LNG Partners LP and Norsk Tillitsmann ASA as bond trustee (incorporated by reference to Exhibit 10.3 to the registrant's Report of Foreign Issuer on Form 6-K filed on November 6, 2012)
4.22	\$275 million Facility Agreement, dated June 25, 2013, by and among a group of banks as the lender and Golar Partners Operating LLC as the borrower (incorporated by reference to Exhibit 4.1 to the registrant's Report of Foreign Issuer on Form 6-K filed on September 30, 2013)
4.23	Purchase, Sale and Contribution Agreement, dated December 5, 2013, by and between Golar LNG Partners LP, Golar Partners Operating LLC and Golar LNG Ltd., providing for, among other things, the acquisition of the <i>Golar Igloo</i> (incorporated by reference to Exhibit 10.1 to the registrant's Report of Foreign Issuer on Form 6-K filed on December 10, 2013)
8.1*	Subsidiaries of Golar LNG Partners LP
12.1*	Rule 13a-14(a)/15d-14(a) Certification of Golar LNG Partners LP Principal Executive Officer
12.2*	Rule 13a-14(a)/15d-14(a) Certification of Golar LNG Partners LP Principal Financial and Accounting Officer
13.1*	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer
13.2*	Certification under Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Financial and Accounting Officer
15.1*	Consent of Independent Registered Public Accounting Firm.
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema
101. CAL	XBRL Taxonomy Extension Schema Calculation Linkbase
101. DEF	XBRL Taxonomy Extension Schema Definition Linkbase
101. LAB	XBRL Taxonomy Extension Schema Label Linkbase
101. PRE	XBRL Taxonomy Extension Schema Presentation Linkbase

* Filed herewith.

† Certain portions have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission.

** Incorporated by reference to the Exhibits of the Partnership's Annual Report on Form 20-F for fiscal year ended December 31, 2011.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

GOLAR LNG PARTNERS LP

By: /s/ Graham Robjohns

Name: Graham Robjohns

Title: Principal Executive Officer

Date: April 30, 2014

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Partners of Golar LNG Partners LP:

In our opinion, the accompanying consolidated balance sheets and the related consolidated and combined carve-out statements of operations, comprehensive income, changes in partners' capital/owners' and dropdown predecessor equity and cash flows present fairly, in all material respects, the financial position of Golar LNG Partners LP and its subsidiaries (the "Partnership") at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Partnership maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Partnership's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's annual report on internal controls over financial reporting" under Item 15 of this Form 20-F. Our responsibility is to express opinions on these financial statements, and on the Partnership's internal control over financial reporting based on our audits (which were integrated audits in 2013 and 2012). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom

April 30, 2014

GOLAR LNG PARTNERS LP

CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(in thousands of \$, except per unit amounts)

	Notes	2013	2012	2011
Operating revenues				
Time charter revenues		329,190	286,630	225,452
Total operating revenues		<u>329,190</u>	<u>286,630</u>	<u>225,452</u>
Operating expenses				
Vessel operating expenses (1)		52,390	45,474	39,212
Voyage and commission expenses		5,239	4,471	785
Administrative expenses (2)		5,194	7,269	8,235
Depreciation and amortization		66,336	51,167	45,316
Total operating expenses		<u>129,159</u>	<u>108,381</u>	<u>93,548</u>
Operating income		<u>200,031</u>	<u>178,249</u>	<u>131,904</u>
Financial income (expense)				
Interest income		1,097	1,797	1,640
Interest expense		(43,195)	(38,090)	(19,581)
Other financial items, net	7	(1,661)	(5,389)	(18,521)
Net financial expenses		<u>(43,759)</u>	<u>(41,682)</u>	<u>(36,462)</u>
Income before income taxes		156,272	136,567	95,442
Income taxes	8	(5,453)	(9,426)	(45)
Net income		<u>150,819</u>	<u>127,141</u>	<u>95,397</u>
Net income attributable to non-controlling interest		(9,523)	(10,723)	(9,863)
Net income attributable to Golar LNG Partners LP Owners		<u>141,296</u>	<u>116,418</u>	<u>85,534</u>
Earnings per unit:	27			
Common unit (basic and diluted)		2.31	2.08	1.89
Cash distributions declared and paid per unit in the period (see note 27)		2.05	1.78	0.73

(1) This includes related party ship management fee recharges of \$6.7 million, \$4.2 million and \$4.1 million for the years ended December 31, 2013, 2012 and 2011, respectively. See note 24.

(2) This includes related party management and administrative fee recharges of \$2.6 million, \$2.9 million and \$1.6 million for the years ended December 31, 2013, 2012 and 2011, respectively. See note 24.

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

GOLAR LNG PARTNERS LP

**CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF COMPREHENSIVE INCOME FOR THE
YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**

(in thousands of \$)

	2013	2012	2011
Net income	150,819	127,141	95,397
Unrealized net gain (loss) on qualifying cash flow hedging instruments:			
Other comprehensive income (loss) before reclassification (1)	7,370	(3,950)	934
Amounts reclassified from accumulated other comprehensive (loss) income to statement of operations (2)	(775)	—	—
Net other comprehensive income (loss)	<u>6,595</u>	<u>(3,950)</u>	<u>934</u>
Comprehensive income	<u>157,414</u>	<u>123,191</u>	<u>96,331</u>
Comprehensive income attributable to:			
Partners', Owners' and Dropdown Predecessor Equity	147,891	112,468	86,468
Non-controlling interest	9,523	10,723	9,863
	<u>157,414</u>	<u>123,191</u>	<u>96,331</u>

(1) There is no tax impact on any of the periods presented.

(2) Amounts reclassified from accumulated other comprehensive income (loss) to 'Other financial items, net' on the consolidated and combined carve-out statements of operations relate to gains on cash flow hedges in respect of interest rate swaps.

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

GOLAR LNG PARTNERS LP
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012
(in thousands of \$)

	Notes	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents		103,100	66,327
Restricted cash and short-term investments	16	24,451	30,900
Trade accounts receivable	11	717	—
Other receivables, prepaid expenses and accrued income	12	7,026	4,336
Amounts due from related parties	24	—	3,883
Inventories		1,085	1,924
Total current assets		136,379	107,370
Long-term assets			
Restricted cash	16	145,725	190,523
Vessels and equipment, net	13	1,281,591	707,147
Vessels under capital leases, net	14	127,693	485,632
Deferred charges	15	14,270	15,023
Other non-current assets	17	15,561	5,279
Total assets		1,721,219	1,510,974
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term debt	20	156,363	64,822
Current portion of obligations under capital leases	21	—	5,837
Trade accounts payable		1,587	3,407
Accrued expenses	18	20,088	26,530
Amounts due to related parties	24	5,989	4,429
Other current liabilities	19	57,045	64,692
Total current liabilities		241,072	169,717
Long-term liabilities			
Long-term debt	20	733,108	639,697
Long-term debt due to related parties	24	—	34,953
Obligations under capital leases	21	159,008	406,534
Other long-term liabilities	22	17,904	18,529
Total liabilities		1,151,092	1,269,430
Commitments and contingencies (See Note 25)			
Equity			
Partners' capital:			
Common unitholders: 45,663,096 units issued and outstanding at December 31, 2013 (2012: 36,246,149)		475,610	169,515
Subordinated unitholders: 15,949,831 units issued and outstanding at December 31, 2013 and 2012		6,900	3,713
General partner interest: 1,257,408 units issued and outstanding at December 31, 2013 (2012: 1,065,225)		19,234	5,447
Total partners' capital		501,744	178,675
Accumulated other comprehensive loss		(2,394)	(8,989)
		499,350	169,686
Non-controlling interest		70,777	71,858
Total equity		570,127	241,544
Total liabilities and equity		1,721,219	1,510,974

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

GOLAR LNG PARTNERS LP
CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(in thousands of \$)

	Notes	2013	2012	2011
Operating activities				
Net income		150,819	127,141	95,397
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		66,336	51,167	45,316
Amortization of deferred tax benefit on intragroup transfers		—	(912)	(2,363)
Amortization of deferred charges		5,828	1,123	931
Unrealized foreign exchange (gains) losses		(7,435)	13,893	1,040
Drydocking expenditure		(50,979)	(8,288)	(10,543)
Interest element included in obligations under capital leases		233	401	897
Change in assets and liabilities, net of effects from purchase of <i>Golar Maria</i> :				
Trade accounts receivable		(717)	173	1,698
Inventories		971	(849)	1,440
Prepaid expenses, accrued income and other assets		(9,747)	(6,948)	295
Amounts due from/to related parties		1,581	3,781	16,240
Trade accounts payable		(1,820)	2,617	(1,281)
Accrued expenses		(6,632)	14,015	1,134
Other current liabilities		241	(7,971)	6,771
Net cash provided by operating activities		148,679	189,343	156,972
Investing activities				
Additions to vessels and equipment		(18,152)	(72,286)	(100,259)
Acquisition of <i>Golar Maria</i> , net of cash acquired (1)	10	(119,927)	—	—
Restricted cash and short-term investments		54,027	(6,512)	(2,622)
Net cash used in investing activities		(84,052)	(78,798)	(102,881)
Financing activities				
Proceeds from issuance of equity, net of issue costs	26	280,586	401,851	—
Proceeds from short-term debt due to related parties		20,000	—	—
Proceeds from long-term debt	20	230,000	537,194	222,310
Repayment of short-term debt due to related parties		(20,000)	—	—
Repayments of long-term debt		(149,822)	(427,217)	(58,832)
Repayments of obligations under capital lease		(2,365)	(6,287)	(6,151)
Payments in connection with the lease terminations	21	(250,980)	—	—
Financing arrangement fees and other costs		(4,794)	(8,400)	(854)
Dividends paid to noncontrolling interests		(10,604)	(1,799)	(2,399)
Cash distributions paid		(119,875)	(77,588)	(29,276)
Distribution to Golar LNG Limited ("Golar") for acquisition of the <i>Golar Freeze</i>	24(k)	—	—	(231,579)
Dropdown Predecessor dividends		—	—	(24,336)
Distribution to Golar for acquisition of the <i>NR Satu</i>	24(k)	—	(387,993)	—
Distribution to Golar for acquisition of the <i>Golar Grand</i>	24(k)	—	(176,769)	—
Contributions from owner's funding		—	53,572	72,686
Net cash used in financing activities		(27,854)	(93,436)	(58,431)
Net increase (decrease) in cash and cash equivalents		36,773	17,109	(4,340)
Cash and cash equivalents at beginning of period		66,327	49,218	53,558
Cash and cash equivalents at end of period		103,100	66,327	49,218
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest paid, net of capitalized interest		44,651	40,858	20,415
Income taxes paid		5,575	1,444	1,685

(1) In addition to the cash consideration paid for the acquisition of the *Golar Maria*, there were non-cash considerations including assumption of bank debt of \$89.5 million (see note 10).

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

GOLAR LNG PARTNERS LP

CONSOLIDATED AND COMBINED CARVE-OUT STATEMENTS OF CHANGES IN PARTNERS' CAPITAL / OWNERS' AND DROPDOWN PREDECESSOR EQUITY FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(in thousands of \$)

	Dropdown Predecessor Equity	Owner's Invested Equity	Partners' Capital			Accumulated Other Comprehensive Income (loss)	Total before Non- controlling interest	Non- controlling Interest	Total Owner's Equity
			Common Units	Subordinated Units	General Partner				
Combined balance at December 31, 2010	164,882	156,588	—	—	—	—	321,470	55,470	376,940
Combined carve-out net income (Jan 1, 2011 — April 12, 2011)	—	20,741	—	—	—	—	20,741	2,709	23,450
Combined carve-out other comprehensive income	—	984	—	—	—	—	984	—	984
Movement in invested equity (Jan 1, 2011 — April 12, 2011)	—	(13,999)	—	—	—	—	(13,999)	—	(13,999)
Non-controlling interest dividend	—	—	—	—	—	—	—	(1,000)	(1,000)
Combined balance at April 12, 2011	164,882	164,314	—	—	—	—	329,196	57,179	386,375
Dropdown predecessor dividends	(24,336)	—	—	—	—	—	(24,336)	—	(24,336)
Net income (1)	21,937	—	29,029	12,079	1,748	—	64,793	7,154	71,947
Other comprehensive (loss) income	(378)	—	—	—	—	328	(50)	—	(50)
Elimination of equity	24,810	14,856	—	—	—	—	39,666	—	39,666
Allocation of Partnership capital to unit holders — April 12, 2011	—	(179,170)	180,475	—	3,683	(4,988)	—	—	—
Net change in Parent's equity in Dropdown Predecessor	86,685	—	—	—	—	—	86,685	—	86,685
Cash distributions	—	—	(16,980)	(11,710)	(586)	—	(29,276)	—	(29,276)
Non-controlling interest dividend	—	—	—	—	—	—	—	(1,399)	(1,399)
Purchase of <i>Golar Freeze</i> from Golar (note 24(k))	(231,330)	—	(249)	—	—	—	(231,579)	—	(231,579)
Allocation of Dropdown Predecessor equity (note 24(k))	165,799	—	(162,112)	—	(3,308)	(379)	—	—	—
Combined balance at December 31, 2011	208,069	—	30,163	369	1,537	(5,039)	235,099	62,934	298,033
Net income (2)	28,015	—	53,998	31,655	2,750	—	116,418	10,723	127,141
Movement in invested equity	53,572	—	—	—	—	—	53,572	—	53,572
Non-controlling interest dividends	—	—	—	—	—	—	—	(1,799)	(1,799)
Other comprehensive loss	—	—	—	—	—	(3,950)	(3,950)	—	(3,950)
Cash distributions	—	—	(47,725)	(28,311)	(1,552)	—	(77,588)	—	(77,588)
Net proceeds from issuance of common units	—	—	393,814	—	8,037	—	401,851	—	401,851
Elimination of equity not transferred to the Partnership	9,046	—	—	—	—	—	9,046	—	9,046
Purchase of <i>NR Satu</i> from Golar (note 24(k))	(387,993)	—	—	—	—	—	(387,993)	—	(387,993)
Allocation of Dropdown Predecessor equity - <i>NR Satu</i> (note 24(k))	132,321	—	(129,671)	—	(2,650)	—	—	—	—
Purchase of <i>Golar Grand</i> from Golar (note 24(k))	(176,769)	—	—	—	—	—	(176,769)	—	(176,769)
Allocation of Dropdown Predecessor equity - <i>Golar Grand</i> (note 24(k))	133,739	—	(131,064)	—	(2,675)	—	—	—	—
Consolidated balance at December 31, 2012	—	—	169,515	3,713	5,447	(8,989)	169,686	71,858	241,544
Net income	—	—	91,576	35,924	13,796	—	141,296	9,523	150,819
Cash distributions (3)	—	—	(81,096)	(32,737)	(6,042)	—	(119,875)	—	(119,875)
Non-controlling interest dividends	—	—	—	—	—	—	—	(10,604)	(10,604)
Other comprehensive income	—	—	—	—	—	6,595	6,595	—	6,595
Net proceeds from issuance of common units	—	—	274,974	—	5,612	—	280,586	—	280,586
Contribution to equity (4)	—	—	20,641	—	421	—	21,062	—	21,062
Consolidated balance at December 31, 2013	—	—	475,610	6,900	19,234	(2,394)	499,350	70,777	570,127

-
- (1) The post acquisition net income (from October 19, 2011 to December 31, 2011) relating to the *Golar Freeze* in 2011 included within net income was \$4.8 million.
 - (2) The post acquisition net income in 2012 relating to the *NR Satu* (from July 19, 2012 to December 31, 2012) and the *Golar Grand* (from November 8, 2012 to December 31, 2012) included within net income amounted to \$11.5 million and \$4.8 million, respectively.
 - (3) This includes cash distributions to IDR holders for the year ended December 31, 2013 and 2012 of \$3.7 million and \$nil, respectively.
 - (4) In June 2013, the *Golar Winter* and the *Golar Grand* were refinanced. We made a cash payment of \$251.0 million to the lessors to terminate the respective lease financing arrangements (including the associated *Golar Winter* currency swap of \$25.3 million) and to acquire the legal title of both these vessels. The transaction to acquire the legal title of the vessels was between controlled entities, thus, the vessels continue to be recorded at their historical book values and the difference between the cash payment made and the carrying value of the vessels is an equity contribution. The contribution recognised was \$21.1 million.

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

GOLAR LNG PARTNERS LP

NOTES TO THE AUDITED CONSOLIDATED AND COMBINED CARVE-OUT FINANCIAL STATEMENTS

1. GENERAL

Golar LNG Partners LP (the "Partnership," "we," "our," or "us") was formed as an indirect wholly-owned subsidiary of Golar LNG Limited ("Golar") in September 2007 under the laws of the Marshall Islands for the purpose of acquiring the interests in wholly-owned and partially owned subsidiaries of Golar.

In November 2008, Golar transferred to us interests in certain of its wholly-owned and partially owned subsidiaries that owned a 60% interest in a liquefied natural gas ("LNG") carrier, the *Golar Mazo*, and which leased the LNG carrier, the *Methane Princess*, and the floating storage and regasification unit ("FSRU"), the *Golar Spirit*. During April 2011, Golar contributed to us the shares of a subsidiary which leased the FSRU, the *Golar Winter*.

During April 2011, we completed our initial public offering ("IPO"). In connection with the IPO, (i) we issued to Golar 23,127,254 common units and 15,949,831 subordinated units, representing a 98% limited partner interest in us; (ii) we issued to Golar GP LLC, a wholly-owned subsidiary of Golar and our general partner (the "General Partner"), a 2% general partner interest in us and 81% of our incentive distribution rights ("IDRs"); (iii) we issued to Golar LNG Energy Limited, a subsidiary of Golar ("Golar Energy"), 19% of the IDRs; (iv) Golar sold 13,800,000 common units to the public in the IPO and received gross proceeds of \$310.5 million, all as further described in Note 3.

The transfers and contributions of the subsidiaries holding interests in the *Golar Mazo*, the *Methane Princess* and the *Golar Spirit* in November 2008, and the *Golar Winter* in April 2011 from Golar to us were deemed to be a reorganization of entities under common control. As a result, we recorded these transactions at Golar's historical book values. Accordingly, prior to April 13, 2011 (the closing date of the IPO), Golar LNG Partners LP and its subsidiaries that have interests in four vessels, the *Golar Mazo*, the *Methane Princess*, the *Golar Spirit* and the *Golar Winter* ("Initial Fleet"), are collectively referred to as the "Combined Entity".

In October 2011 and July 2012, we acquired from Golar interests in subsidiaries that own and operate the FSRUs, the *Golar Freeze* and the *Nusantara Regas Satu* ("NR Satu"), respectively. In addition, in November 2012, we acquired from Golar interests in subsidiaries that lease and operate the LNG carrier, the *Golar Grand*. These transactions are also deemed to be a reorganization of entities under common control. As a result, our financial statements prior to the date the vessels were acquired were retroactively adjusted to include these vessels (herein collectively referred to as the "Dropdown Predecessor") during the periods they and we were under common control of Golar. The excess of the consideration paid by us over Golar's historical costs is accounted for as an equity distribution to Golar (refer to note 24(k)).

Under the Partnership Agreement, the general partner has irrevocably delegated to our board of directors the power to oversee and direct the operations of, manage and determine the strategies and policies of Golar Partners. During the period from the IPO in April 2011 until the time of our first annual general meeting ("AGM") on December 13, 2012, Golar retained the sole power to appoint, remove and replace all members of our board of directors. From the first AGM, four of our seven board members became electable by the common unitholders and accordingly, from this date, Golar no longer retains the power to control the board of directors and, hence, the Partnership. As a result, we are no longer considered to be under common control of Golar, and from December 13, 2012, we no longer account for vessel acquisitions from Golar as transfers of equity interests between entities under common control.

In February 2013, we acquired from Golar 100% interests in the subsidiary that owns and operates the LNG carrier, the *Golar Maria*, which we accounted for as an acquisition of a business. Accordingly, the results of the *Golar Maria* are consolidated into our results from the date of its acquisition. There has been no retroactive restatement of our financial statements to reflect the historical results of the *Golar Maria* prior to its acquisition.

As of December 31, 2013, we operated a fleet of four FSRUs and four LNG carriers. Our vessels operate under long-term charter contracts with expiration dates between 2017 and 2024, except for the *Golar Grand*, which operates on a medium-term charter with an initial term that expires in 2015. However, we have an option to require Golar to enter into a new time charter with us, with Golar as charterer until October 2017 if the current charterer does not renew or extend the existing charter (see note 24).

As of December 31, 2013, our current liabilities exceeded current assets by \$104.7 million. Included within current liabilities as of December 31, 2013, are mark-to-market valuations of swap derivatives of \$31.9 million maturing between 2014 and 2020. We have no intention of terminating these swaps before their maturity and hence realizing these liabilities. In addition, we have a debt facility in respect of the *Golar Maria* of \$84.5 million that matures in December 2014 and is, therefore, presented as current debt. We are currently in discussions with several lending banks to refinance this facility ahead of its maturity.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated and combined financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Investments in entities in which we directly or indirectly hold more than 50% of the voting control are consolidated in the financial statements, as well as certain variable interest entities in which we are deemed to be subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. All intercompany balances and transactions are eliminated. The non-controlling interests of the above mentioned subsidiaries are included in the Balance Sheets and Statements of Operations as "Non-controlling interests".

A variable interest entity is defined by the accounting standard as a legal entity where either (a) equity interest holders, as a group, lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. A party that is a variable interest holder is required to consolidate a VIE if the holder has both (a) the power to direct the activities that most significantly impact the entity's economic performance and (b) the obligation to absorb losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The accompanying consolidated and combined financial statements include the financial statements of the entities listed in Note 4.

As discussed in note 1, from December 13, 2012, we are no longer considered to be under common control with Golar. Any references to consolidated and combined financial statements and allocations to historical combined carve-out financial statements pertain to periods prior to November 2012, the date of our last common control dropdown (*Golar Grand*).

The consolidated and combined financial statements reflect the results of operations, cash flows and net assets of the Combined Entity including the Dropdown Predecessor, which have been carved out of the consolidated financial statements of Golar. The historical combined financial statements include revenues, expenses and cash flows directly attributable to our interests in the four vessels in the Initial Fleet and the Dropdown Predecessor. Accordingly, the historical combined carve-out financial statements for the years ended December 31, 2012 and 2011 reflect allocations of certain expenses, including that of administrative expenses including share options and pension costs, mark-to-market of interest rate and foreign currency swap derivatives and amortization of deferred tax benefits on intragroup transfers. These allocated costs have been accounted for as an equity contribution in the combined balance sheets. Allocated costs (income) included in the accompanying consolidated and combined statements of income are as follows:

(in thousands of \$)	2012	2011
Administrative expenses	1,365	4,947
Pension costs	220	805
Net financial income	(149)	(2,983)
	<u>1,436</u>	<u>2,769</u>

For the years ended December 31, 2012 and 2011 the above table includes allocated costs (income) for the combined entity for the period prior to April 13, 2011, representing the period prior to our IPO and for the Dropdown Predecessor, for the periods prior to their acquisition from Golar.

Included within the Owner's invested and Dropdown Predecessor equity balances were net liabilities that were not transferred to us and therefore were eliminated from our equity position from either the closing date of the IPO in respect of the *Golar Spirit*, or the acquisition date of the *Golar Freeze* and the *NR Satu*. Details of the net liabilities eliminated are as follows:

(in thousands of \$)	Dropdown Predecessor relating to <i>NR Satu</i> (1)	Dropdown Predecessor relating to <i>Golar Freeze</i> (2)	Combined Entity ("Initial Fleet") relating to the <i>Golar Spirit</i> (3)	Total
Balance Sheet captions:				
Other non-current assets	—	—	12,007	12,007
Other current liabilities	(1,511)	—	—	(1,511)
Other long-term liabilities	(7,535)	(24,810)	(26,863)	(59,208)
Total	<u>(9,046)</u>	<u>(24,810)</u>	<u>(14,856)</u>	<u>(48,712)</u>

(1) As of July 19, 2012

(2) As of October 19, 2011

(3) As of April 13, 2011

These consolidated and combined financial statements include the financial position, results of operations and cashflows of the Combined Entity and the Dropdown Predecessor. In the preparation of these consolidated and combined financial statements, the loan and related balances and interest expenses relating to the *NR Satu* and the *Golar Freeze*, the lease related expenses (including termination thereof) relating to the *NR Satu*, the *Golar Freeze* and the *Golar Spirit*, general and administrative expenses (including pension and stock-based compensation), income tax expense, and certain derivatives' related expenses which were not directly attributable to the respective vessels have been allocated to us on the following basis:

The debt relating to the *NR Satu* was held in a subsidiary of Golar in connection with the loan facility for five of Golar's vessels, including the *NR Satu*. The loan facility was repaid in April 2011. Accordingly, for periods prior to April 2011, the *NR Satu*'s share of the loan facility, interest expense, deferred finance fees and related balances have been carved out based on the remaining loan balance following the settlement of the *Golar Spirit* and the *Golar Freeze* related balances in November 2008 and June 2010, respectively, and based on the 2003 internal valuations performed at inception of the debt.

In contrast, the *Golar Freeze*, *Golar Spirit* and the *NR Satu* associated lease balances, termination thereof and amortization of deferred tax benefits on intragroup transfers have been reflected in these financial statements at Golar's book value, as they were readily separable and identifiable within the books of Golar.

Vessel operating expenses includes ship management fees for the provision of technical and commercial management of vessels, which have been allocated to us based on intercompany charges invoiced by Golar.

Vessel operating expenses include an allocation of Golar's defined benefit pension plan costs. Golar operates two defined benefit pension plans for itself and its subsidiaries: one for the crews and one for administrative personnel. The pension cost is calculated in the subsidiaries on a contribution basis and relates principally to crew whose employment cannot be tied to a specific vessel, as they were a shared resource across all vessels. Accordingly, the pension costs have been allocated based on the number of vessels in Golar's fleet.

Administrative expenses (including stock-based compensation, which are described further below) of Golar that cannot be attributed to a specific vessel and for which we were deemed to have received benefit have been allocated based on the number of vessels in Golar's fleet.

Administrative expenses include an allocation of Golar's stock-based compensation costs. In respect of options awarded to certain employees and directors of Golar, whose employment or service cannot be specifically attributed to any specific vessel. Therefore, it is considered that we, as a part of Golar, received benefit from their services, and so should recognize a share of the respective cost. Accordingly, stock-based compensation costs have been allocated based on the number of vessels in Golar's fleet.

Other financial items include an allocation of Golar's mark-to-market adjustments for interest rate swap and foreign currency swap derivatives. In respect of mark-to-market adjustments for interest rate swap derivatives these have been allocated on the basis of our proportion of Golar's debt including capital leases. For foreign currency derivatives and related adjustments to earnings, these have been allocated on the basis of being separately identifiable and specifically for our benefit.

Income tax expense has been determined for us on a separate returns basis.

Management has deemed the related allocation reasonable to present the financial position, results of operations, and cash flows of the Combined Entity and Dropdown Predecessor on a stand-alone basis. However, the financial position, results of operations and cash flows of the Combined Entity and Dropdown Predecessor, which are presented as part of the results for the years ended December 31, 2012 and 2011, may differ from those that would have been achieved had we operated autonomously for those years as we would have had additional administrative expenses, including legal, accounting, treasury and regulatory compliance and other costs normally incurred by a listed public entity for the periods prior to the IPO. Accordingly, the financial statements do not purport to be indicative of our future financial position, results of operations or cash flows.

Business combinations

Reorganization of entities under common control are accounted for similar to the pooling of interests method of accounting. Under this method, the carrying amount of net assets recognized in the balance sheets of each combining entity are carried forward to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination. The excess of the proceeds paid, if any, over the historical cost of the combining entity is accounted for as an equity distribution. In addition, re-organization of entities under common control are accounted for as if the transfer occurred from the date that both the combining entity and combined entity were both under the common control of Golar. Therefore, our financial statements prior to the date the interests in the combining entity were actually acquired are retroactively adjusted to include the results of the Combined Entity during the periods it was under common control of Golar.

As discussed in note 1, following the first AGM of common unitholders on December 13, 2012, Golar ceased to control the board of directors as the majority of board members became electable by the common unitholders. As a result, we are no longer considered to be under common control with Golar. As a consequence, effective from December 13, 2012, we no longer account for vessel acquisitions from Golar as a transfer of equity interest between entities under common control.

Business combinations are accounted for under the acquisition method. On acquisition, the identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. bargain purchase) is credited to the statement of operations in the period of acquisition. The consideration transferred for an acquisition is measured at fair value of the consideration given. Acquisition related costs are expensed as incurred. The results of subsidiary undertakings are included from the date of acquisition.

Revenue and expense recognition

Revenues include minimum lease payments under time charters, fees for repositioning vessels as well as the reimbursement of certain vessel operating and drydocking costs. Revenues generated from time charters, which we classified as operating leases, are recorded over the term of the charter as service is provided. We do not recognize revenues during days that the vessel is off-hire. Incentives for charterers to enter into lease agreements are spread evenly over the lease term.

Reimbursement for drydocking costs is recognized evenly over the period to the next drydocking, which is generally between two to five years. Repositioning fees (which are included in time charter revenue) received in respect of time charters are recognized at the end of the charter when the fee becomes fixed and determinable. However, where there is a fixed amount specified in the charter, which is not dependent upon redelivery location, the fee will be recognized evenly over the term of the charter. Where a vessel undertakes multiple single voyage time charters, revenue is recognized, including the repositioning fee if fixed and determinable, on a discharge-to-discharge basis. Under this basis, revenue is recognized evenly over the period from departure of the vessel from its last discharge port to departure from the next discharge port. For arrangements where operating costs are borne by the charterer on a pass through basis, the pass through of operating costs is reflected in revenue and expenses.

Under our time charters, the majority of voyage expenses are paid by our customers. Voyage related expenses, principally fuel, may also be incurred when positioning or repositioning the vessel before or after the period of time charter and during periods when the vessel is not under charter or is off-hire, for example when the vessel is undergoing repairs. These expenses are recognized as incurred.

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

Operating leases

Initial direct costs (those directly related to the negotiation and consummation of the lease) are deferred and allocated to earnings over the lease term. Rental income and expense are amortized over the lease term on a straight-line basis.

Income taxes

Income taxes are based on a separate return basis. The guidance on income taxes prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

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

Comprehensive Income

As of December 31, 2013, 2012 and 2011, our accumulated other comprehensive loss consisted of the following components:

(in thousands of \$)	2013	2012	2011
Unrealized net loss on qualifying cash flow hedging instruments	(2,394)	(8,989)	(5,039)

Cash and cash equivalents

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

Restricted cash and short-term investments

Restricted cash and short-term investments consist of bank deposits, which may only be used to settle certain pre-arranged loan or lease payments. We consider all short-term investments as held to maturity. These investments are carried at amortized cost. We place our short-term investments primarily in fixed term deposits with high credit quality financial institutions.

Trade receivables

Trade receivables are presented net of allowances for doubtful balances. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

Inventories

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

Vessels and equipment

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

Cost of building the mooring equipment was incurred as part of the *NR Satu* time charter agreement. The cost of the mooring equipment is capitalized and depreciated over the initial lease term of the *NR Satu* charter.

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

Useful lives applied in depreciation are as follows:

Vessels	40 to 55 years
Deferred drydocking expenditure	two to five years
Mooring equipment	11 years

Interest costs capitalized in connection with the conversion of the *NR Satu* into an FSRU for the years ended December 31, 2013, 2012 and 2011 were \$nil, \$1.8 million and \$1.9 million, respectively.

Vessels under capital lease

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

Depreciation of vessels under capital lease is included within depreciation and amortization expense in the statement of operations. Vessels under capital lease are depreciated on a straight-line basis over the vessels' remaining useful economic lives, based on a useful life of 40 to 50 years. Refurbishment costs and drydocking expenditures incurred in respect of vessels under capital lease are accounted for consistently as that of vessels.

Certain of our capital leases are 'funded' via long term cash deposits which closely match the lease liability. Future changes in the lease liability arising from interest rate changes are only partially offset by changes in interest income on the cash deposits, and where differences arise, this is funded by, or released to, available working capital.

Interest costs capitalized

Interest costs are expensed as incurred except for interest costs that are capitalized. Interest is capitalized on all qualifying assets that require a period of time to get them ready for their intended use. Qualifying assets consist of vessels under construction and includes vessels undergoing retrofitting into FSRUs for our own use. The interest capitalized is calculated using the rate of interest on the loan to fund the expenditure or our weighted average cost of borrowings where appropriate, over the term period from commencement of the conversion work until substantially all the activities necessary to prepare the assets for its intended use are complete.

Deferred credit from capital leases

Income derived from the sale of subsequently leased assets is deferred and amortized in proportion to the amortization of the leased assets (see note 22). Amortization of deferred income is offset against depreciation and amortization expense in the statement of operations.

Impairment of long-lived assets

We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, we assess the recoverability of long-term assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Deferred charges

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

Provisions

We, in the ordinary course of business, are subject to various claims, suits and complaints. Management, in consultation with internal and external advisers, will provide for a contingent loss in the financial statements if the contingency had occurred at the date of the financial statements and the likelihood of loss was probable and the amount can be reasonably estimated. If we have determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, we will provide the lower amount within the range. See Note 25, "Other Commitments and Contingencies" for further discussion.

Derivatives

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

We seek to reduce our exposure to fluctuations in foreign exchange rates through the use of foreign currency forward contracts.

All derivative instruments are initially recorded at cost as either assets or liabilities in the accompanying balance sheets and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative.

Where the fair value of a derivative instrument is a net liability, the derivative instrument is classified in "Other current liabilities" in the balance sheet. Where the fair value of a derivative instrument is a net asset, the derivative instrument is classified in "Other non-current assets" in the balance sheet, except if the current portion is a liability, in which case the current portion is included in "Other current liabilities." The method of recognizing the resulting gain or loss is dependent on whether the derivative contract is designed to hedge a specific risk and also qualifies for hedge accounting. We have adopted hedge accounting for certain of our interest rate swap arrangements designated as cash flow hedges. For derivative instruments that are not designated or do not qualify as hedges, the changes in fair value of the derivative financial instrument are recognized in earnings and recorded each period in current earnings in "Other financial items, net".

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

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

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

Foreign currencies

Our and our subsidiaries' functional currency is the U.S. dollar as the majority of the revenues are received in U.S. dollars and a majority of our expenditures are incurred in U.S. dollars. Our reporting currency is U.S. dollars.

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

Fair Value measurements

We account for fair value measurements in accordance with the Accounting Standards Codification ("ASC") guidance using fair value to measure assets and liabilities. The guidance provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

Use of estimates

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

3. FORMATION TRANSACTIONS AND INITIAL PUBLIC OFFERING

During April 2011, the following transactions in connection with the transfer of the interests in the *Golar Winter* and the subsequent IPO occurred:

Capital contribution

- (i) Golar contributed to us its 100% interest in the subsidiary which leased the *Golar Winter*. This has been accounted for as a capital contribution by Golar to us.

Recapitalization of the Partnership

- (ii) We issued to Golar 23,127,254 common units and 15,949,831 subordinated units, representing a 98% limited partner interest in us, in exchange for Golar's existing 98% limited partner interest in us; and
- (iii) We issued 797,492 general partner units to the General Partner, representing a 2% general partner interest in us, and 81% of the IDRs. The remaining 19% of the IDRs were issued to Golar Energy. The IDRs entitle the holder to increasing percentages of the cash we distribute in excess of \$0.4428 per unit per quarter.

Initial Public Offering

- (iv) In the IPO, Golar sold 13,800,000 of our common units to the public at a price of \$22.50 per unit, raising gross proceeds of \$310.5 million. 1,800,000 of our common units were sold pursuant to the exercise of the overallotment option granted to the underwriters. Expenses relating to the IPO were borne by Golar.

Rights and Obligations of Partnership Units

- *Common units.* These represent limited partner interests in us. During the subordination period, the common units have preferential dividend and liquidation rights over the subordinated units as described in note 27. Each outstanding common unit is entitled to one vote on matters subject to a vote of common unitholders. However, if at any time, any person or group owns beneficially more than 4.9% or more of any class of units outstanding, any such units owned by that person or group in excess of 4.9% may not be voted (except for purposes of nominating a person for election to our board). The voting rights of any such common unitholder in excess of 4.9% will effectively be redistributed pro rata among the other common unitholders holding less than 4.9% of the voting power of such class of units. The General Partner, its affiliates and persons who acquired common units with the prior approval of the board of directors will not be subject to this 4.9% limit except with respect to voting their common units in the election of the four elected directors.

- *Subordinated units.* These represent limited partner interests in us. Subordinated units have limited voting rights and most notably are excluded from voting in the election of the elected directors. During the subordination period, the common units have preferential dividend rights to the subordinated units (see note 27). The subordination period will end on the satisfaction of various tests as prescribed in the Partnership Agreement, but will not end before March 31, 2016, except with the removal of the General Partner as the general partner. Upon the expiration of the subordination period, the subordinated units will convert into common units and will be subject to the same rights as common units.
- *General Partner units.* General partner units have preferential liquidation and dividend rights over the subordinated units. There is a limitation on the transferability of the general partner interest such that the General Partner may not transfer all or any part of its general partner interest to another person (except to an affiliate of the General Partner or another entity as part of the merger or consolidation of the General Partner with or into another entity or the transfer by the General Partner of all or substantially all of its assets to another entity) prior to March 31, 2021 without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the General Partner and its affiliates. The general partner units are not entitled to vote in the election of the four elected directors. However, the General Partner in their sole discretion appoints three of the seven board directors.
- *IDRs.* The IDRs are non-voting and represent rights to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved as described in note 27. The General Partner (including Golar Energy) or its affiliates may not transfer all or any part of its IDRs to another person (except to an affiliate of the General Partner or another entity as part of the merger or consolidation of the General Partner with or into another entity or the transfer by the General Partner of all or substantially all of its assets to another entity) prior to March 31, 2016 without the approval of the holders of at least a majority of the outstanding common units, excluding common units held by the General Partner and its affiliates.

The Partnership Agreement provides that if the General Partner is removed as a general partner under circumstances where cause does not exist and units held by the General Partner and its affiliates are not voted in favor of that removal:

- the subordination period will end and all outstanding subordinated units will immediately convert into common units on a one-for-one basis;
- any existing arrearages in payment of the minimum quarterly distribution on the common units will be extinguished; and
- the General Partner will have the right to convert its general partner interest and its IDRs (and Golar Energy will have the right to convert its IDRs) into common units or to receive cash in exchange for those interests based on the fair market value of the interests at the time.

Agreements

In connection with the IPO, we entered into several agreements including:

- A management and administrative services agreement with Golar Management Limited, a subsidiary of Golar ("Golar Management"), pursuant to which Golar Management agreed to provide certain management and administrative services to us;
- A \$20.0 million revolving credit agreement with Golar; and
- An Omnibus Agreement with Golar, the General Partner and others governing, among other things:
 - To what extent we and Golar may compete with each other;
 - Certain rights of first offer on certain FSRUs and LNG carriers operating under charters for five or more years; and
 - The provision of certain indemnities to us by Golar.

We exercised our option under the Omnibus Agreement to purchase the *Golar Freeze* from Golar in October 2011 and the *NR Satu* in July 2012.

4. SUBSIDIARIES

The following table lists our significant subsidiaries and their purpose as of December 31, 2013. Unless otherwise indicated, we own 100% of each subsidiary.

Name	Jurisdiction of Incorporation	Purpose
Golar Partners Operating LLC	Marshall Islands	Holding Company
Golar LNG Holding Corporation	Marshall Islands	Holding Company
Golar Maritime (Asia) Inc.	Republic of Liberia	Holding Company
Oxbow Holdings Inc.	British Virgin Islands	Holding Company
Faraway Maritime Shipping Company (60% ownership)	Republic of Liberia	Owns and operates <i>Golar Mazo</i>
Golar LNG 2215 Corporation	Marshall Islands	Leases <i>Methane Princess</i>
Golar Spirit Corporation	Marshall Islands	Owns <i>Golar Spirit</i>
Golar LNG 2220 Corporation	Marshall Islands	Leased <i>Golar Winter</i> (until June 25, 2013)
Golar Freeze Holding Corporation	Marshall Islands	Owns <i>Golar Freeze</i>
Golar 2215 UK Ltd	United Kingdom	Operates <i>Methane Princess</i>
Golar Spirit UK Ltd	United Kingdom	Operates <i>Golar Spirit</i>
Golar Winter UK Ltd	United Kingdom	Operates <i>Golar Winter</i>
Golar Freeze UK Ltd	United Kingdom	Operates <i>Golar Freeze</i>
Golar Servicos de Operacao de Embaracoes Limited	Brazil	Management Company
Golar Khannur Corporation	Marshall Islands	Holding Company
Golar LNG (Singapore) Pte.	Singapore	Holding Company
PT Golar Indonesia*	Indonesia	Owns and operates <i>NR Satu</i>
Golar LNG 2226 Corporation	Marshall Islands	Leased <i>Golar Grand</i> (until June 25, 2013)
Golar 2226 UK Ltd	United Kingdom	Operates <i>Golar Grand</i>
Golar LNG 2234 Corporation	Republic of Liberia	Owns and operates <i>Golar Maria</i>
Golar Winter Corporation	Marshall Islands	Owns <i>Golar Winter</i> (from June 26, 2013)
Golar Grand Corporation	Marshall Islands	Owns <i>Golar Grand</i> (from June 26, 2013)

* We hold all of the voting stock and control all of the economic interests in PT Golar Indonesia ("PTGI") pursuant to a Shareholder's Agreement with the other shareholder of PTGI, PT Pesona Sentra Utama ("PT Pesona"). PT Pesona holds the remaining 51% interest in the issued share capital of PTGI.

We consolidated PTGI, which owns the *NR Satu*, in our consolidated financial statements effective September 28, 2011. PTGI became a VIE and we became its primary beneficiary upon our agreement to acquire all of Golar's interests in certain subsidiaries that own and operate the *NR Satu* (see note 24(k)) on July 18, 2012. We consolidate PTGI as we hold all of the voting stock and control all of the economic interests in PTGI.

The following table summarizes the balance sheets of PTGI as of December 31, 2013 and 2012:

(in thousands of \$)	2013	2012
ASSETS		
Cash	8,225	3,979
Restricted cash	9,980	5,474
Vessels and equipment	354,255	375,443
Other assets	9,056	6,335
Total assets	381,516	391,231
LIABILITIES AND EQUITY		
Accrued liabilities	25,020	31,778
Current portion of long-term debt	14,300	14,300
Amounts due to related parties	189,835	199,891
Long-term debt	126,400	140,700
Other liabilities	6,283	1,335
Total liabilities	361,838	388,004
Total equity	19,678	3,227
Total liabilities and equity	381,516	391,231

Trade creditors of PTGI have no recourse to our general credit.

The long-term debt of PTGI is secured against the *NR Satu* and has been guaranteed by us.

5. RECENTLY ISSUED ACCOUNTING STANDARDS

Adoption of new accounting standards

In December 2011, the Financial Accounting Standards Board ("FASB") amended guidance on disclosures about offsetting assets and liabilities. The amendments require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendments will enhance disclosures required by US GAAP by requiring improved information about financial instruments and derivative instruments that are either offset or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with US GAAP. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of set-off associated with certain financial instruments and derivative instruments in the scope of this update. The amendments were required for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The effect of this to our consolidated financial statements is included in note 23.

In July 2012, the FASB amended disclosure requirements relating to testing indefinite-lived intangible assets for impairment. The amendments no longer require entities to disclose the quantitative information about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy that relate to the financial accounting and reporting for an indefinite-lived intangible asset after its initial recognition. The amendment was effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The amendment did not have a material impact on our consolidated financial statements.

In October 2012, the FASB amended several disclosure requirements of the FASB Accounting Standards Codification relating to investments, consolidation, accounting changes and error corrections, inventory, retirement benefits for defined benefit plans, financial instruments and balance sheet. The amendments were effective for fiscal periods beginning after December 15, 2012. The amendment did not have a material impact on our consolidated financial statements.

In February 2013, further guidance was provided relating to the reporting of the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income. Under the updated guidance, the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income shall be shown, in one location, either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. The amendment resulted in additional disclosures in our consolidated and combined carve-out statement of comprehensive income.

In July 2013, the FASB amended Accounting Standards Codification (ASC) Topic 815 permitting the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. Treasury interest rates and the London Interbank Offered Rate. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments were applied prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. We have not entered into any qualifying new or redesignated hedging relationships since July 17, 2013 through to the date of these consolidated financial statements. Accordingly, the adoption of this guidance did not have a material impact on our consolidated financial statements.

New accounting standards not yet adopted

In February 2013, the FASB issued guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, including debt arrangements, other contractual obligations and settled litigation and judicial rulings. The guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of (a) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are evaluating the impact of the adoption of this amended guidance.

In July 2013, the FASB issued guidance on the presentation of unrecognized tax benefits. This guidance requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We do not expect the adoption of this guidance to have a material impact on the financial statements.

6. SEGMENTAL INFORMATION

We have not presented segmental information as we consider that we operate in one reportable segment, the LNG market. During 2013, 2012 and 2011, our fleet operated under time charters and in particular with six charterers, Petrobras, Dubai Supply Authority ("DUSUP"), Pertamina, PT Nusantara Regas ("PTNR"), BG Group plc and Eni S.p.A. Petrobras is a Brazilian energy company. DUSUP is a government entity which is the sole supplier of natural gas to the Emirates. Pertamina is the state-owned oil and gas company of Indonesia. PTNR is a joint venture company of Pertamina and Perusahaan Gas Negara, an Indonesian company engaged in the transport and distribution of natural gas in Indonesia. BG Group plc is headquartered in the United Kingdom. Eni S.p.A is an integrated energy company headquartered in Italy. In time charters, the charterer, not us, controls the choice of which routes our vessel will serve. These routes can be worldwide as determined by the charterers except for our FSRUs which operate at specific locations where the charterers are based. Accordingly, our management, including the chief operating decision maker, does not evaluate our performance either according to customer or geographical region.

In the years ended December 31, 2013, 2012 and 2011, revenues from the following customers accounted for over 10% of our consolidated and combined revenues:

(in thousands of \$)	2013		2012		2011	
Petrobras	85,899	26%	92,952	32%	93,741	41%
DUSUP	48,029	15%	48,328	17%	47,054	21%
Pertamina	37,302	11%	37,300	13%	37,829	17%
BG Group plc	66,341	20%	66,148	23%	25,101	11%
PTNR	65,478	20%	41,902	15%	—	—%
Gas Natural Aprovevisionamientos SDG S.A.	—	—%	—	—%	21,474	10%

Geographic segment data

The following geographical data presents our revenues and fixed assets with respect only to our FSRUs, operating under long-term charters, at specific locations. LNG vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries.

<i>Revenues</i>	2013	2012	2011
Brazil	85,899	92,952	93,741
United Arab Emirates	48,029	48,328	47,054
Indonesia	65,478	41,902	—
<i>Fixed assets</i>	2013	2012	
Brazil	413,967	379,061	
United Arab Emirates	142,757	153,097	
Indonesia	233,734	247,942	

7. OTHER FINANCIAL ITEMS, NET

(in thousands of \$)	2013	2012	2011
Amortization of deferred financing costs	(5,828)	(1,123)	(931)
Financing arrangement fees and other costs	(2,101)	(411)	(536)
Interest expense on un-designated interest rate swaps	(8,188)	(6,609)	(5,788)
Mark-to-market adjustment for interest rate swap derivatives (see note 23)	12,845	1,328	(9,427)
Mark-to-market adjustment for currency swap derivatives (see note 23)	(4,839)	7,204	(1,417)
Foreign exchange gain (loss) on capital lease obligations and related restricted cash	7,084	(5,602)	182
Foreign exchange loss on operations	(634)	(176)	(604)
Total	<u>(1,661)</u>	<u>(5,389)</u>	<u>(18,521)</u>

As discussed in note 2, mark-to-market adjustments on interest rate and currency swap derivatives also include an allocation of Golar's mark-to-market adjustments on derivatives entered into by Golar. For the years ended December 31, 2012 and 2011, the amounts allocated to the Partnership was a gain of \$0.1 million and loss of \$2.5 million, respectively.

8. TAXATION

The components of income tax expense are as follows:

(in thousands of \$)	2013	2012	2011
Current tax expense (credit):			
U.K.	(373)	1,888	1,044
Indonesia	5,047	7,395	—
Brazil	779	1,055	1,364
Total current tax expense	5,453	10,338	2,408
Deferred tax income:			
Amortization of deferred tax benefit on intra-group transfer (Note 2)	—	(912)	(2,363)
Total income tax expense	5,453	9,426	45

United States

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

A reconciliation between the income tax expense resulting from applying either the U.S. federal or Marshall Islands statutory income tax rate and the reported income tax expense has not been presented herein as it would not provide additional useful information to users of the financial statements as our net income is subject to neither Marshall Islands nor U.S. tax.

United Kingdom

Current taxation credit of \$0.4 million, charge of \$1.9 million and charge of \$1.0 million for the years ended December 31, 2013, 2012 and 2011, respectively, relates to taxation of the operations of our United Kingdom subsidiaries. Taxable revenues in the United Kingdom are generated by our UK subsidiary companies and are comprised of revenues from the operation of five of our vessels. The statutory tax rate in the United Kingdom as of December 31, 2013 was 23%.

We record deferred income taxes to reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We did not have any deferred tax assets at December 31, 2013 or 2012.

Brazil

Current taxation charges of \$0.8 million, \$1.1 million and \$1.4 million for the years ended December 31, 2013, 2012 and 2011, respectively, refer to taxation levied on the operations of our Brazilian subsidiary.

Indonesia

Current taxation charges of \$5.0 million, \$7.4 million and \$nil for the years ended December 31, 2013, 2012 and 2011, respectively, refer to taxation levied on the operations of our Indonesian subsidiary. However, the tax exposure in Indonesia is intended to be mitigated by revenue due under the time charter. This tax element of the time charter rate was established at the beginning of the time charter, and shall be adjusted only where there is a change in Indonesian tax laws or the invalidity of certain stipulated tax assumptions.

We record deferred income taxes to reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Other jurisdictions

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

The following table summarizes the earliest tax year that remain subject to examination by the major taxable jurisdictions in which we operate:

Jurisdiction	Earliest
U.K.	2008
Brazil	2008
Indonesia	2012

Deferred income tax assets are summarized as follows:

(in thousands of \$)	2013	2012
Deferred tax assets, gross	6,070	—
Valuation allowances	(6,070)	—
Deferred tax assets, net	—	—

Deferred tax assets, gross relate to net operating losses carried forward for the *NR Satu*. The deferred tax asset was fully provided for during the year as we do not consider this as realizable. Valuation allowances of 6.1 million, \$nil and \$1.0 million arose in the years ended December 31, 2013, 2012 and 2011, respectively, and were recognized in our consolidated and combined carve-out statements of operations.

9. OPERATING LEASES

Rental income

The minimum contractual future revenues to be received on time charters as of December 31, 2013, were as follows:

Year ending December 31, (in thousands of \$)	Total
2014	351,888
2015	352,154
2016	340,567
2017	337,040
2018	212,290
2019 and later	789,524
Total	2,383,463 (1)

(1) This includes revenues from Golar relating to the Option Agreement entered into in connection with the acquisition of the *Golar Grand* in November 2012. In the event the current charterer does not renew or extend its charter beyond 2015, we have the option to require Golar to charter the vessel through to October 2017.

Minimum lease revenues are calculated based on certain assumptions such as those relating to expected off-hire days and, for those days on-hire, estimates of the operating component of the charter rate (where applicable) which includes assumptions as to forecast foreign currency rates, changes in the specified consumer price index, amongst others. For those charters containing provisions for reimbursement for drydocking expenditure, these revenues have not been reflected in minimum lease revenues above.

PTNR has the right to purchase the *NR Satu* at any time after the first anniversary of the commencement date of its charter at a price that must be agreed upon between us and PTNR. We have assumed that this option will not be exercised. Accordingly, the minimum lease revenues set out above include revenues arising within the option period.

The cost and accumulated depreciation of vessels leased to third parties at December 31, 2013 and 2012 were \$1,858.3 million and \$1,555.7 million; and \$449.0 million and \$362.9 million, respectively. For arrangements where operating costs are borne by the charterer on a pass through basis, the pass through of operating costs are reflected in both revenue and expenses.

10. BUSINESS COMBINATION

On February 7, 2013, we acquired Golar's 100% interest in the company that owns and operates the *Golar Maria*. The purchase consideration was \$215 million for the vessel less the assumed bank debt of \$89.5 million and the fair value of the interest rate swap liability of \$3.1 million plus other purchase price adjustments of \$5.5 million. The *Golar Maria* was delivered to its current charterer, LNG Shipping S.p.A. ("LNG Shipping"), a subsidiary of Eni S.p.A in November 2012 under a charter expiring in December 2017. The acquisition of the *Golar Maria* was deemed accretive to our distributions.

We accounted for the acquisition of the *Golar Maria* as a business combination. The purchase price of the acquisition has been allocated to the identifiable assets acquired. The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition. The fair values allocated to each class of identifiable assets of *Golar Maria* and the difference between the purchase price and net assets acquired were calculated as follows:

(in thousands of \$)	February 7, 2013
Purchase consideration	127,910 (1)
Less: Fair value of net assets (liabilities) acquired:	
Vessel and equipment	215,000
Cash	7,981
Fair value of interest rate swap	(3,096)
Long-term debt	(89,525)
Other assets and liabilities	(2,450)
Subtotal	(127,910)
Difference between the purchase price and fair value of net assets acquired	—

(1) The cash purchase consideration of \$127.9 million comprises the following:

(in thousands of \$)	
Cash consideration paid to Golar	125,500
Adjustment for the interest rate swap liability assumed	(3,096)
Other purchase price adjustments	5,506
	127,910

Revenue and profit contributions

Since the acquisition date, the business has contributed revenues of \$26.1 million and net income of \$14.5 million to us for the period from February 7, 2013 to December 31, 2013.

The table below shows our comparative summarized consolidated pro forma financial information for the years ended December 31, 2013 and 2012, giving effect to our acquisition of the *Golar Maria* as if it had taken place on January 1, 2012.

	Unaudited	Unaudited
(in thousands of \$, except per unit data)	2013	2012
Revenues	332,150	308,617
Net income	152,388	135,472
Earnings per unit (basic and diluted):		
Common unitholders	\$2.33	\$2.52

11. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are presented net of provisions for doubtful accounts. As of December 31, 2013 and 2012, there was no provision for doubtful accounts.

12. OTHER RECEIVABLES, PREPAID EXPENSES AND ACCRUED INCOME

(in thousands of \$)	2013	2012
Other receivables	2,937	1,219
Prepaid expenses	4,089	2,874
Accrued interest income	—	243
	<u>7,026</u>	<u>4,336</u>

As of December 31, 2013, included in other receivables is an amount for an indemnification receivable of \$2 million (see note 25).

13. VESSELS AND EQUIPMENT, NET

(in thousands of \$)	2013	2012
Cost	1,665,039	954,992
Accumulated depreciation	(383,448)	(247,845)
Net book value	<u>1,281,591</u>	<u>707,147</u>

As of December 31, 2013 and 2012, we owned seven and four vessels, respectively.

The increase in the number of vessels in the year ended December 31, 2013 is due to the acquisition of the *Golar Maria* in February 2013 (see note 10) and the termination of the lease financing arrangements relating to the *Golar Winter* and the *Golar Grand* to acquire the legal title of both these vessels. The *Golar Winter* and the *Golar Grand* were previously included within vessels under capital leases, net, as of December 31, 2012 (see note 14).

Drydocking costs of \$68.7 million and \$20.9 million are included in the cost amounts for December 31, 2013 and 2012, respectively. Accumulated amortization of those costs at December 31, 2013 and 2012 was \$16.6 million and \$4.3 million, respectively.

Mooring equipment of \$38.1 million is included in the cost for December 31, 2013 and 2012. Accumulated depreciation of the mooring equipment at December 31, 2013 and 2012 was \$6.0 million and \$2.4 million, respectively.

Depreciation and amortization expense for the years ended December 31, 2013, 2012 and 2011 was \$55.1 million, \$35.2 million and \$29.3 million, respectively.

As of December 31, 2013 and 2012, vessels and equipment with a net book value of \$1,281.6 million and \$707.1 million, respectively, were pledged as security for certain debt facilities (see note 25).

14. VESSELS UNDER CAPITAL LEASES, NET

(in thousands of \$)	2013	2012
Cost	168,492	600,733
Accumulated depreciation	(40,799)	(115,101)
Net book value	127,693	485,632

As of December 31, 2013 and 2012, we operated one and three vessels under capital leases, respectively. The lease is in respect of a refinancing transaction undertaken during 2003, as described in note 21.

The decrease in vessels under capital leases is as a result of the termination of the lease financing arrangements relating to the *Golar Winter* and the *Golar Grand* and the acquisition of the legal title of these vessels (see note 21). As of December 31, 2013, these assets are now included within vessels and equipment, net (see note 13).

Drydocking costs of \$8.1 million and \$9.9 million are included in the cost amounts above as of December 31, 2013 and 2012, respectively. Accumulated amortization of those costs at December 31, 2013 and 2012 was \$0.9 million and \$6.7 million, respectively.

Depreciation and amortization expense for vessels under capital leases for the years ended December 31, 2013, 2012 and 2011 was \$11.9 million, \$16.6 million and \$16.6 million, respectively.

15. DEFERRED CHARGES

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

(in thousands of \$)	2013	2012
Debt arrangement fees and other deferred financing charges	20,677	19,684
Accumulated amortization	(6,407)	(4,661)
	14,270	15,023

Amortization expense of deferred charges, for the years ended December 31, 2013, 2012 and 2011 was \$5.8 million, \$1.1 million and \$0.9 million, respectively.

The increase in debt arrangement fees and other deferred financing charges is due to costs capitalized in relation to the Golar Partners Operating Credit Facility which we entered into to refinance the *Golar Winter* and the *Golar Grand*.

16. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

Our short-term restricted cash and investment balances in respect of our debt and lease obligations are as follows:

(in thousands of \$)	2013	2012
Total security lease deposits for lease obligations	5,639	5,398
Restricted cash relating to the Golar Freeze facility (see note 20)	8,832	8,994
Restricted cash relating to the Mazo facility (see note 20)	—	11,034
Restricted cash relating to the NR Satu facility (see note 20)	9,980	5,474
	24,451	30,900

Restricted cash does not include minimum consolidated cash balances of \$25 million required to be maintained as part of the financial covenants in some of our loan facilities, as these amounts are included in "Cash and cash equivalents" (see note 20).

As of December 31, 2013 and 2012, the value of deposits used to obtain letters of credit to secure the obligations for the lease arrangements described in note 21 was \$151.4 million and \$195.9 million, respectively. These security deposits are referred to in these financial statements as restricted cash. The Methane Princess Lease security deposit earns interest based upon GBP LIBOR.

Our restricted cash balances in respect of our lease obligations are as follows:

(in thousands of \$)	2013	2012
Methane Princess Lease security deposits	151,364	150,913
Golar Grand Lease security deposits	—	45,008
Total security deposits for lease obligations	151,364	195,921
Included in short-term restricted cash and short-term investments	(5,639)	(5,398)
Long-term restricted cash	145,725	190,523

17. OTHER NON-CURRENT ASSETS

(in thousands of \$)	2013	2012
Mark-to-market cross currency interest rate swaps valuation relating to high-yield bonds (see note 23)	—	1,819
Mark-to-market interest rate swaps valuation (see note 23)	5,335	—
Methane Princess Lease security deposit movements (see note 24(h))	4,257	—
Other long-term assets	5,969	3,460
	15,561	5,279

Included within "Other long-term assets" are: (i) capitalized commission expenses and lease incentives incurred in connection with securing the NR Satu time charter amounting to \$6.0 million and \$2.3 million as of December 31, 2013 and 2012, respectively. These costs are amortized over the term of the NR Satu time charter. Amortization expense for the years ended December 31, 2013, 2012 and 2011 was \$0.7 million, \$0.2 million and \$nil, respectively; and (ii) an amount of \$1.2 million which was previously included within the total as of December 31, 2012, which related to the *Golar Winter* modification. Upon completion of the modification in 2013, the balance was transferred to vessels and equipment, net.

18. ACCRUED EXPENSES

(in thousands of \$)	2013	2012
Vessel operating and drydocking expenses	5,538	6,737
Administrative expenses	757	281
Interest expense	6,273	7,729
Provision for tax	7,520	11,783
	20,088	26,530

19. OTHER CURRENT LIABILITIES

(in thousands of \$)	2013	2012
Deferred revenue	17,888	12,848
Mark-to-market interest rate swaps valuation (see note 23)	15,119	24,991
Mark-to-market cross currency interest rate swaps valuation (see note 23)	16,804	—
Mark-to-market foreign exchange rate swaps valuation (see note 23)	—	20,527
Deferred credits from capital lease transactions (see note 22)	625	625
Other creditors (see note 25)	6,609	5,701
	57,045	64,692

20. DEBT

(in thousands of \$)	2013	2012
Total long-term debt due to third parties	889,471	704,519
Less: current portion of long-term debt due to third parties	(156,363)	(64,822)
Total long-term debt due to third parties	733,108	639,697
Total long-term debt due to related parties	—	34,953
Long-term debt	733,108	674,650

Our outstanding debt as of December 31, 2013 is repayable as follows:

Year Ending December 31, (in thousands of \$)	
2014	156,363
2015	99,782
2016	62,550
2017	276,651
2018	230,942
2019 and thereafter	63,183
Total	889,471

Excluding the high-yield bonds, our debt is denominated in U.S. dollars and bears interest at fixed or floating rates at a weighted average interest rate for the years ended December 31, 2013 and 2012 of 3.37% and 3.93%, respectively.

At December 31, 2013, the maturity dates for our debt were as follows:

(in thousands of \$)	2013	2012	Maturity date
Mazo facility	—	13,521	2013
Golar Maria facility	84,525	—	2014
High-yield bonds	214,100	233,804	2017
Golar LNG Partners credit facility	160,500	247,500	2018
Golar Partners Operating credit facility	215,000	—	2018
Golar Freeze facility	74,646	89,647	2015/2018*
NR Satu facility	140,700	155,000	2019
	889,471	739,472	

*The Commercial Loan facility tranche matures in 2015 and the Exportfinans Loan facility tranche matures in 2018.

Mazo Facility

In November 1997, Osprey, Golar's predecessor, entered into a secured loan facility of \$214.5 million in respect of the vessel, the *Golar Mazo*. The Mazo facility matured in June 2013 and the corresponding restricted cash balances were released to cash.

Golar Maria Facility

The Golar Maria facility is secured against the *Golar Maria* and was assumed by us upon the acquisition of the company that owns and operates the vessel from Golar in February 2013. The amount originally drawn down under the facility was \$120 million, but the balance outstanding under the facility at the date of acquisition was \$89.5 million. The Golar Maria facility bears interest at LIBOR plus a 0.95% margin and is repayable in quarterly installments with a final balloon payment of \$80.8 million due in December 2014. As of December 31, 2013, we had \$84.5 million of borrowings outstanding under the Golar Maria facility and thus, is presented under current debt. We expect to refinance this facility ahead of its expiration.

High-yield Bonds

In October 2012, we completed the issuance of NOK 1,300 million senior unsecured bonds that mature in October 2017. The aggregate principal amount of the bonds at the time of issuance is equivalent to approximately \$227 million. The bonds bear interest at three months NIBOR plus a margin of 5.20% payable quarterly. All interest and principal payments on the bonds were swapped into U.S. dollars including fixing interest payments at 6.485%. The net proceeds from the bonds were used primarily to repay the \$222.3 million 6.75% loan due October 2014 from Golar that was utilized to purchase the *Golar Freeze* (Golar LNG Vendor Financing Loan - *Golar Freeze*). The bonds were listed on the Oslo Bors ASA in December 2012. As of December 31, 2013, the U.S. dollar equivalent of the principal amount is \$214.1 million.

Golar LNG Partners Credit Facility

In September 2008, we refinanced existing loan facilities in respect of two of our vessels, the *Methane Princess* and the *Golar Spirit*, and entered into a new \$285 million revolving credit facility with a banking consortium. The loan is secured against the *Golar Spirit* and the assignment to the lending banks of a mortgage given to us by the lessors of the *Methane Princess*, with a second priority charge over the *Golar Mazo*.

The revolving credit facility accrues floating interest at a rate per annum equal to LIBOR plus a margin of 1.15%. The initial draw down amounted to \$250 million in November 2008. The total amount outstanding at the time of refinancing, in respect of the two vessels' facilities was \$202.3 million. As of December 31, 2013, the revolving credit facility provided for available borrowings of up to \$225.5 million, of which \$160.5 million was outstanding. The revolving credit facility is a reducing facility which decreases by \$2.5 million per quarter from June 30, 2009 through December 31, 2012 and by \$5.5 million per quarter from March 31, 2013 through December 31, 2017. As of December 31, 2013, we had an undrawn balance of \$65 million available to us under this revolving credit facility. The loan has a term of ten years and is repayable in quarterly installments commencing in May 2009 with a final balloon payment of \$137.5 million due in March 2018, its maturity date.

Golar Partners Operating Credit Facility

In June 2013, we refinanced existing lease financing arrangements in respect of two vessels, the *Golar Winter* and the *Golar Grand*, and entered into a new five year, \$275 million loan facility with a banking consortium. The loan facility is split into two tranches, a \$225 million term loan facility and a \$50 million revolving credit facility which matures in June 2018. As of December 31, 2013, we had an undrawn balance of \$50 million available to us under this revolving credit facility. The loan facility is secured against the *Golar Winter* and the *Golar Grand* and is repayable in quarterly installments with a final balloon payment of \$130 million payable in July 2018. The loan facility and the revolving credit facility bear interest at LIBOR plus a margin of 3% together with a commitment fee of 1.2% on any undrawn portion of the facility. As of December 31, 2013, we had \$215.0 million of borrowings outstanding under the Golar Partners Operating credit facility.

Golar Freeze Facility

We assumed the Golar Freeze facility pursuant to the purchase of the *Golar Freeze* from Golar, in October 2011. The amount originally drawn down under the facility in June 2010 was \$125 million. The amount outstanding under the facility at the time we assumed the debt was approximately \$108.0 million. As of December 31, 2013, there was approximately \$74.6 million of borrowings outstanding under the Golar Freeze facility. The Golar Freeze facility is secured against the *Golar Freeze*. The facility is with a syndicate of banks and financial institutions and bears interest at LIBOR plus a margin of 3%. The facility is split into two tranches, the Commercial Loan facility and the Exportfinans Loan facility. Repayments under the Commercial Loan facility tranche are due quarterly based on an annuity profile with a final balloon payment of \$34.8 million payable in May 2015. The Exportfinans Loan facility tranche is for \$50 million with a term of eight years and repayable in equal quarterly installments with the final payment due in June 2018. The Golar Freeze facility requires certain balances to be held on deposit during the period of the loan (see note 16).

NR Satu Facility

In December 2012, PTGI, the company that owns and operates the FSRU, *NR Satu*, entered into a seven year secured loan facility. The total facility amount is \$175 million and is split into two tranches, a \$155 million term loan facility and a \$20 million revolving facility. The facility is with a syndicate of banks and bears interest at LIBOR plus a margin of 3.5% together with a commitment fee of 1.4% on any undrawn portion of the facility. PTGI drew down \$155 million on the term loan facility in December 2012. The loan is payable on a quarterly basis with a final balloon payment of \$52.5 million payable in March 2020. The NR Satu facility requires certain balances to be held on deposit during the period of the loan (see note 16).

As of December 31, 2013, the margins we pay under our loan agreements are above LIBOR at a fixed or floating rate ranging from 0.95% to 3.50%. The margin related to our high-yield bond is 5.20% above NIBOR.

Debt and lease restrictions

Our loan debt is collateralized by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. The existing financing agreements impose operating and financing restrictions which may limit or prohibit, among other things, our ability to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of the lenders. In addition, lenders may accelerate the maturity of indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including a failure to comply with any of the covenants contained in the financing agreements. Our various debt agreements contain certain covenants, which require compliance with certain financial ratios. Such ratios include equity ratio covenants, working capital ratios, net debt to EBITDA ratios and minimum free cash restrictions. With regards to cash restrictions, we have covenanted to retain at least \$25 million of cash and cash equivalents on a consolidated group basis. In addition, there are cross default provisions in most of our and Golar's loan and lease agreements.

In April 2013, we received waivers relating to the requirement under the Golar LNG Partners credit facility and the Golar Freeze facility relating to change of control over the Partnership. Following the grant of such waivers, in order to permanently resolve this issue, the loan facilities affected by the loss of control which contained the change of control provisions were amended in June 2013. We are now in compliance with all covenants.

21. CAPITAL LEASES

(in thousands of \$)	2013	2012
Total obligations under capital leases	159,008	412,371
Less: current portion of obligations under capital leases	—	(5,837)
Long-term obligations under capital leases	159,008	406,534

As of December 31, 2013 and 2012, we operated one and three vessels under capital leases, respectively. These leases were in respect of a refinancing transaction in 2003, a lease financing transaction in 2004 and another in 2005.

The leasing transaction, which occurred in August 2003, was in relation to the newbuilding, the *Methane Princess*. We novated the *Methane Princess* newbuilding contract prior to completion of construction and leased the vessel from the same financial institution in the United Kingdom ("The Methane Princess Lease"). The lessor of the *Methane Princess* has a second priority security interest in the *Methane Princess* and the *Golar Spirit*. Our obligation to the lessor under the Methane Princess Lease is secured by a letter of credit ("LC") provided by other banks. Details of the security deposit provided by us to the bank providing the LC are given in note 16.

The leasing transactions, which occurred in April 2004 and 2005, were in relation to the newbuildings, the *Golar Winter* and the *Golar Grand*, respectively. In each case, we novated the vessels' newbuilding contracts prior to the completion of construction and then leased the vessel from a financial institution in the UK.

The decrease in the number of vessels under capital leases is due to the termination of the Golar Winter and Golar Grand lease obligations in June 2013 (see note 14) and their refinancing with the Golar Partners Operating Credit Facility as described in note 20.

As of December 31, 2013, we are committed to make quarterly minimum capital lease payments (including interest), as follows:

Year ending December 31, (in thousands of \$)	Methane Princess Lease
2014	7,754
2015	8,055
2016	8,361
2017	8,676
2018	9,022
2019 and thereafter	183,564
Total minimum lease payments	225,432
Less: Imputed interest	(66,424)
Present value of minimum lease payments	159,008

The Methane Princess Lease liability continues to increase until 2014 and thereafter decreases over the period to 2034, which is the end of the primary term of the lease. The interest element of the lease rentals is accrued at a floating rate based upon British Pound (GBP) LIBOR.

We determined that the entities that owned the vessels were variable interest entities in which we had a variable interest and was the primary beneficiary. Upon the initial transfer of the vessels to the financial institutions, we measured the subsequently leased vessels at the same amounts as if the transfer had not occurred, which was cost less accumulated depreciation at the time of transfer.

22. OTHER LONG-TERM LIABILITIES

(in thousands of \$)	2013	2012
Deferred credits from capital lease transactions	17,904	18,529

Deferred credits from capital lease transactions

(in thousands of \$)	2013	2012
Deferred credits from capital lease transactions	24,691	24,691
Less: Accumulated amortization	(6,162)	(5,537)
	18,529	19,154
Short-term (see note 19)	625	625
Long-term	17,904	18,529
	18,529	19,154

In connection with the Methane Princess Lease (see note 21), we recorded an amount representing the difference between the net cash proceeds received upon sale of the vessel and the present value of the minimum lease payments. The amortization of the deferred credit for the year is offset against depreciation and amortization expense in the statement of operations. The deferred credits represent the upfront benefits derived from undertaking finance in the form of a UK lease. The deferred credits are amortized over the remaining estimated useful economic life of the *Methane Princess* on a straight-line basis.

Amortization for each of the years ended December 31, 2013, 2012 and 2011 was \$0.6 million.

23. FINANCIAL INSTRUMENTS

As discussed in note 2, in respect of the Combined Entity and Dropdown Predecessor, earnings for the years ended December 31, 2012 and 2011 include an allocation of Golar's mark-to-market adjustments for interest rate swap and foreign currency swap derivatives and related foreign exchange gains and losses, captured within "other financial items, net" (see note 7). These amounts have been accounted for as an equity contribution.

Interest rate risk management

In certain situations, we may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. We have entered into swaps that convert floating rate interest obligations to fixed rates, which from an economic perspective hedge the interest rate exposure. Certain interest rate swap agreements qualify and are designated, for accounting purposes, as cash flow hedges. We do not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are major banking and financial institutions. Credit risk exists to the extent that the counterparties are unable to perform under the contracts; however, we do not anticipate non-performance by any of our counterparties.

We manage our debt and capital lease portfolio with interest rate swap agreements in U.S. dollars to achieve an overall desired position of fixed and floating interest rates. We hedge account for certain of our interest rate swap arrangements designated as cash flow hedges. Accordingly, the net gains and losses have been reported in a separate component of accumulated other comprehensive income to the extent the hedges are effective. The amount recorded in accumulated other comprehensive income will subsequently be reclassified into earnings, within interest expense, in the same period as the hedged items affect earnings.

We have entered into the following interest rate swap transactions involving the payment of fixed rates in exchange for LIBOR:

Instrument (in thousands of \$)	Notional Amount		Maturity Dates	Fixed Interest Rate
	December 31, 2013			
Interest rate swaps:				
Receiving floating, pay fixed	1,224,800	(1)	2014 to 2020	0.92% to 6.49%

(1) This includes the nominal value of the cross currency interest rate swap of \$227.2 million described below.

As of December 31, 2012, our interest rate swaps had a total notional amount of \$759.6 million with maturity dates between 2013 and 2018, and fixed interest rates ranging from 0.92% to 6.49%.

During the year ended December 31, 2013, we entered into new interest rate swaps with a notional value of \$422.5 million. In addition, in connection with the acquisition of the *Golar Maria* in February 2013, we assumed *Golar Maria's* bank debt and the related interest rate swap with a notional value of \$50 million. Interest rate swaps with a notional value of \$100 million expired during the year ended December 31, 2013.

As of December 31, 2013 and 2012 the notional principal amount of the debt and capital lease obligations outstanding subject to such swap agreements was \$1,224.8 million and \$759.6 million, respectively.

The effect of cash flow hedging relationships relating to interest rate swap agreements on the statements of operations is as follows:

Derivatives designated as hedging instruments (in thousands of \$)	Location	Effective portion gain/(loss) reclassified from Accumulated Other Comprehensive Loss			Ineffective Portion		
		2013	2012	2011	2013	2012	2011
Interest rate swaps	Other financial items, net	775	—	—	1,015	(409)	(412)

The effect of cash flow hedging relationships relating to interest rate swap agreements excluding the cross currency interest rate swap on the other comprehensive income is as follows:

Derivatives designated as hedging instruments (in thousands of \$)	Amount of gain/ (loss) recognized in OCI on derivative (effective portion)		
	2013	2012	2011
Interest rate swaps	5,515	1,113	934

As of December 31, 2013, our accumulated other comprehensive income included \$1.6 million of unrealized gains on interest rate swap agreements excluding the cross currency interest rate swap designated as cash flow hedges.

As of December 31, 2013, we do not expect any material amounts to be reclassified from accumulated other comprehensive income to earnings during the next twelve months.

Foreign currency risk

For the periods reported, the majority of the vessels' gross earnings were receivable in U.S. dollars and the majority of our transactions, assets and liabilities were denominated in U.S. dollars, our functional currency. However, we incur expenditures in other currencies. Our capital lease obligation and related restricted cash deposit are denominated in British Pounds. There is a risk that currency fluctuations will have a negative effect on the value of our cash flows.

A net foreign exchange gain of \$2.3 million, gain of \$1.6 million and loss of \$1.2 million arose in the years ended December 31, 2013, 2012 and 2011, respectively. The net foreign exchange gain of \$2.3 million arose in the year ended December 31, 2013 as a result of the \$7.1 million gain (2012: \$5.6 million loss) on the retranslation of our capital lease obligations and the cash deposits securing those obligations offset by the \$4.8 million loss (2012: \$7.2 million gain) on the mark-to-market valuation on the Golar Winter currency swap. This swap was terminated and cash settled in June 2013 in connection with the termination of the Golar Winter lease. Further foreign exchange gains or losses will arise over time in relation to our remaining capital lease obligation as a result of exchange rate movements. Gains or losses will only be realized to the extent that monies are, or are required to be withdrawn or paid into the deposit securing our capital lease obligation or if the remaining lease is terminated.

We entered into the Golar Winter currency swap in connection with the lease arrangement in respect of the *Golar Winter*, the obligation in respect of which was denominated in GBP. In this transaction the restricted cash deposit, which secured the letter of credit given to the lessor to secure part of Golar's obligations to the lessor, was much less than the obligation and therefore, unlike the Methane Princess Lease, did not provide a natural hedge. In order therefore, to hedge this exposure, we entered into a currency swap with a bank, who was also the lessor, to exchange GBP payment obligations into U.S. dollar payment obligations. The swap hedged the full amount of the GBP lease obligation. In June 2013, in connection with the termination of the lease financing arrangement in respect of the *Golar Winter*, the associated Golar Winter currency swap was also terminated.

As described in note 20, in October 2012, we issued Norwegian Kroner (NOK) denominated senior unsecured bonds. In order to hedge our exposure, we entered into a currency swap to exchange NOK payment obligations into U.S. dollar payment obligations as set out in the table below. The swap hedges the full amount of the NOK obligation. We have designated the currency swap as a cash flow hedge. Accordingly, the net gain (2012: loss) has been reported in a separate component of accumulated other comprehensive income to the extent the hedge is effective. The amount recorded in accumulated other comprehensive income will subsequently be reclassified into earnings in the same period as the hedged item affects earnings. As of December 31, 2013, we do not expect any material amounts to be reclassified from accumulated other comprehensive income to earnings during the next twelve months.

As of December 31, 2013 and 2012, we have foreign currency forward contracts as summarized below:

Instrument (in thousands)	Notional Amount		Maturity Date	Average forward rate USD foreign currency	
	Receiving in foreign currency	Pay in USD			
Currency rate swaps:					
Norwegian Kroner	(1)	1,300,000	227,193	2017	5.722

(1) This pertains to the cross currency interest rate swap described below.

As of December 31, 2012, in addition to the foreign currency forward contract above, we had a currency swap relating to the Golar Winter lease (as described above). This swap had a notional amount of GBP 58.1 million (equivalent to \$106.8 million), matures in 2032 and had an average forward rate of 1.838.

Cross currency interest rate swap

As described in note 20, we issued NOK denominated senior unsecured bonds. In order to hedge our exposure, we entered into a non-amortizing cross currency interest rate swap agreement. The swap hedges both the full redemption amount of the NOK obligation and the related quarterly interest payments. We designated the cross currency interest rate swap as a cash flow hedge. Accordingly, the net loss recognized in accumulated other comprehensive income is as follows:

Derivatives designated as hedging instruments (in thousands of \$)	Amount of gain/ (loss) recognized in OCI on derivative (effective portion)		
	2013	2012	2011
Cross currency interest rate swap	1,080	(5,063)	—

As of December 31, 2013, our accumulated other comprehensive income included \$4.0 million of unrealized losses on the cross currency interest rate swap designated as a cash flow hedge. There has been no ineffectiveness in any of the years presented.

Fair values

We recognize our fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on reliability of inputs used to determine fair value as follows:

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

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

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

There have been no transfers between different levels in the fair value hierarchy during the year.

The carrying value and estimated fair value of our financial instruments at December 31, 2013 and 2012 are as follows:

(in thousands of \$)	Fair Value Hierarchy(1)	2013 Carrying Value	2013 Fair Value	2012 Carrying Value	2012 Fair Value
Non-Derivatives:					
Cash and cash equivalents	Level 1	103,100	103,100	66,327	66,327
Restricted cash and short-term investments	Level 1	170,176	170,176	221,423	221,423
High-yield bonds(1)	Level 1	214,100	221,166	233,804	234,708
Long-term debt—floating(2)	Level 2	675,371	675,371	505,668	505,668
Obligations under capital leases(2)	Level 2	159,008	159,008	412,371	412,371
Derivatives:					
Interest rate swaps asset(3)(4)	Level 2	5,335	5,335	—	—
Cross currency interest rate swap asset(3)(5)	Level 2	—	—	1,819	1,819
Interest rate swaps liability(3)(4)	Level 2	15,119	15,119	24,991	24,991
Cross currency interest rate swap liability(3)(5)	Level 2	16,804	16,804	—	—
Foreign currency swaps liability(3)	Level 2	—	—	20,527	20,527

(1) This pertains to high-yield bonds with a carrying value of \$214.1 million as of December 31, 2013 which is included under long-term debt on the balance sheet. The fair value of the high-yield bonds as of December 31, 2013 was \$221.2 million (2012: \$234.7 million), which represents 103.3% (2012: 100.5%) of its face value.

(2) Our debt and capital lease obligations are recorded at amortized cost in the consolidated balance sheets.

- (3) Derivative liabilities are captured within other current liabilities and derivative assets are captured within long-term assets on the balance sheet.
- (4) The fair value/carrying value of interest rate swap agreements (excluding the cross currency interest rate swap described in footnote 5) that qualify and are designated as cash flow hedges as of December 31, 2013 and 2012 was \$3.5 million (with a notional amount of \$287.1 million) and \$7.7 million (with a notional amount of \$239.6 million), respectively. The expected maturity of these interest rate agreements is from June 2014 to March 2018.
- (5) We issued NOK denominated senior unsecured bonds. In order to hedge our exposure, we entered into a non-amortizing cross currency interest rate swap agreement. The swap hedges both the full redemption amount of the NOK obligation and the related quarterly interest payments. We designated the cross currency interest rate swap as a cash flow hedge. As of December 31, 2013 and 2012, the following are the details on the cross currency interest rate swap:

Instrument (in thousands)	Notional amount		Maturity date	Rate	Fair value asset/ (liability)
	In NOK	In USD			
Cross currency interest rate swap	1,300,000	227,193	Oct 2017	6.485%	(16,804)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Certain methods and assumptions were used to estimate the fair value of each class of financial instruments. The carrying amounts of accounts receivables, accounts payables and accrued liabilities approximate fair values because of the short maturity of those instruments.

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

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

The estimated fair value of our high yield bonds is based on the quoted market price as of the balance sheet date.

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

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

The fair value of our derivative instruments is the estimated amount that we would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates, foreign exchange rates, and our credit worthiness and of our swap counterparty. The mark-to-market gain or loss on our interest rate and foreign currency swaps that are not designated as hedges for accounting purposes for the period is reported in the statement of operations caption "other financial items, net" (see note 7).

The credit exposure of interest rate swap agreements is represented by the fair value of contracts with a positive fair value at the end of each period, reduced by the effects of master netting agreements. It is our policy to enter into master netting agreements with the counterparties to derivative financial instrument contracts, which give us the right to discharge all or a portion of amounts owed to counterparty by offsetting them against amounts that the counterparty owes to us. Despite the master netting arrangements in place, as of December 31, 2013, the interest rate swap assets cannot be offset against the interest rate swap liabilities as these are with different counterparties.

The cross currency interest rate swap has a credit support arrangement that require us to provide cash collateral in the event that the market valuation drops below a certain level. Valuations are currently above these levels and there is no cash collateral that has been provided in the period.

The fair value measurement of a liability must reflect the non-performance risk of the entity. Therefore, the impact of our credit-worthiness has also been factored into the fair value measurement of the derivative instruments in a liability position.

The cash flows from economic hedges are classified in the same category as the cash flows from the items subject to the economic hedging relationship.

Concentrations of risk

The maximum exposure to credit risk is the carrying value of cash and cash equivalents, restricted cash and short-term investments, trade accounts receivable, other receivables and amounts due from related parties. There is a concentration of credit risk with respect to cash and cash equivalents, restricted cash and short-term investments to the extent that substantially all of the amounts are carried with Nordea Bank Finland Plc, Lloyds TSB Bank plc, Citibank, DNB Bank ASA, Santander UK plc, Sumitomo Mitsui Banking Corporation and Standard Chartered PLC. However, we believe this risk is remote.

During the year ended December 31, 2013, six customers accounted for all of our revenues. These revenues and associated accounts receivable are derived from two time charters with BG Group plc, one time charter with Pertamina, one time charter with DUSUP, two time charters with Petrobras, one time charter with PTNR and one time charter with Eni S.p.A. Pertamina is a state enterprise of the Republic of Indonesia. Credit risk is mitigated by the long-term contract with Pertamina being on a ship-or-pay basis, such that, our vessel hire charges are paid by the Trustee and Paying Agent from the immediate sale proceeds of the delivered gas. The Trustee must pay us, as the ship owner, before Pertamina. Further, the gas sales contracts are with the Chinese Petroleum Corporation. We consider the credit risk of BG Group plc, Petrobras, DUSUP, PTNR, Pertamina and Eni S.p.A to be low.

During the years ended December 31, 2013, 2012 and 2011, Petrobras accounted for more than 25% of gross revenue (see note 6). Details of revenues derived from each customer for the years ended December 31, 2013, 2012 and 2011 are found in note 6.

24. RELATED PARTY TRANSACTIONS

Historically, the Combined Entity and the Dropdown Predecessor were an integrated part of Golar. As such, the Bermudan and London office locations of Golar have provided general and corporate management services for the Combined Entity and Dropdown Predecessor as well as other Golar entities and operations. Consequently, for the purpose of the combined statement of operations this includes allocations for administrative expenses and other financial items as described in note 2 which are excluded from the disclosures below:

Net expenses from related parties:

(in thousands of \$)	2013	2012	2011
Transactions with Golar and affiliates:			
Management and administrative services fees (a)	2,569	2,876	1,576
Ship management fees (b)	6,701	4,222	4,146
Interest expense on high-yield bonds (c)	1,972	575	—
Interest expense on Golar LNG vendor financing loan - <i>Golar Freeze</i> (d)	—	11,921	3,085
Interest expense on Golar LNG vendor financing loan - <i>NR Satu</i> (e)	—	4,737	—
Interest expense on Golar Energy loan (f)	—	829	—
Total	11,242	25,160	8,807

Receivables (payables) from related parties:

As of December 31, 2013 and 2012, balances with related parties consisted of the following:

(in thousands of \$)	2013	2012
Trading balances due to Golar and affiliates (g)	(5,989)	(546)
Methane Princess Lease security deposit movements (h)	4,257	—
High-yield bonds (c)	—	(34,953)
	(1,732)	(35,499)

(a) *Management and administrative services agreement* - On March 30, 2011, we entered into a management and administrative services agreement with Golar Management, a wholly-owned subsidiary of Golar, pursuant to which Golar Management will provide to us certain management and administrative services. The services provided by Golar Management are charged at cost plus a management fee equal to 5% of Golar Management's costs and expenses incurred in connection with providing these services. We may terminate the agreement by providing 120 days written notice.

(b) *Ship management fees* - Golar and certain of its affiliates charged ship management fees to us for the provision of technical and commercial management of the vessels. Each of our vessels is subject to management agreements pursuant to which certain commercial and technical management services are provided by certain affiliates of Golar, including Golar Management and Golar Wilhelmsen AS ("Golar Wilhelmsen"), a partnership that is jointly controlled by Golar and by Wilhelmsen Ship Management (Norway) AS.

(c) *High-yield bonds* - In October 2012, we completed the issuance of NOK1,300 million in senior unsecured bonds that mature in October 2017. The aggregate principal amount of the bonds is equivalent to approximately \$227 million at the time of issuance. Of this amount, NOK200 million (2012: approximately \$35.0 million) was held by Golar until their disposal in November 2013 (see note 20).

(d) *Golar LNG vendor financing loan - Golar Freeze* - In October 2011, in connection with the purchase of the *Golar Freeze*, we entered into a financing loan agreement with Golar for an amount of \$222.3 million. The facility is unsecured and bears interest at a fixed rate of 6.75% per annum payable quarterly. The loan is non-amortizing with a final balloon payment of \$222.3 million due in October 2014. The loan was repaid in October 2012 using the net proceeds from the bond issuance.

(e) *Golar LNG vendor financing loan - NR Satu* - In July 2012, in connection with the purchase of the *NR Satu*, we entered into a financing loan agreement with Golar for an amount of \$175 million. Of this amount, \$155 million was drawn down in July 2012. A further \$20 million was available for draw down until July 2015. The facility is unsecured and bears interest at a fixed rate of 6.75% per annum payable quarterly. The loan is non-amortizing with a final balloon payment for the amount drawn down due within three years from the date of draw down. The loan was repaid in December 2012 using the proceeds from the *NR Satu* facility.

(f) *Golar Energy loan* - In January 2012, Golar LNG (Singapore) Pte. Ltd. ("Golar Singapore"), the subsidiary which holds the investment in PTGI, drew down \$25 million on its loan agreement entered into in December 2011 with Golar LNG Energy Limited ("Golar Energy"). The loan was unsecured, repayable on demand and bore interest at the rate of 6.75% per annum payable on a quarterly basis. In connection with the acquisition of the subsidiaries that own and operate the *NR Satu*, all amounts payable to Golar Energy by the subsidiaries acquired by us, including Golar Singapore, were extinguished.

(g) *Trading balances* - Receivables and payables with Golar and its affiliates are comprised primarily of unpaid management fees, advisory and administrative services. In addition, certain receivables and payables arise when we pay an invoice on behalf of a related party and vice versa. Receivables and payables are generally settled quarterly in arrears. Trading balances due to Golar and its affiliates are unsecured, interest-free and intended to be settled in the ordinary course of business. They primarily relate to recharges for trading expenses paid on our behalf including ship management and administrative service fees due to Golar.

(h) *Methane Princess Lease security deposit movements* - This represents net advances to Golar since the IPO, which correspond with the net release of funds from the security deposits held relating to the Methane Princess Lease. This is in connection with the Methane Princess tax lease indemnity provided by Golar under the Omnibus Agreement (see below). Accordingly, these amounts held with Golar will be settled as part of the eventual termination of the Methane Princess Lease.

(i) *\$20 million revolving credit facility* - On April 13, 2011, we entered into a \$20 million revolving credit facility with Golar. The facility matures in April 2015 and is unsecured and interest-free. In May 2013, we drew down \$20 million from the facility which we subsequently repaid in December 2013. As of December 31, 2013, we have an undrawn balance of \$20 million available under this facility.

(j) *Dividends to China Petroleum Corporation* - During the years ended December 31, 2013, 2012 and 2011, Faraway Maritime Shipping Co., which is 60% owned by us and 40% owned by China Petroleum Corporation ("CPC"), paid total dividends to CPC of \$10.6 million, \$1.8 million and \$2.4 million, respectively.

(k) *Acquisitions from Golar* - We acquired from Golar equity interests in certain subsidiaries which own or lease and operate the *NR Satu*, the *Golar Grand* and the *Golar Maria*. The acquisition of the first two vessels were concluded between entities under common control and, thus, the net assets acquired were recorded at historic book value. The acquisition of the *Golar Maria* was accounted for as a business combination (see note 10).

Our Board of Directors ("the Board") and the Conflicts Committee of the Board (the "Conflicts Committee") approved the purchase price and vendor financing loan (where applicable) for each transaction. The Conflicts Committee retained a financial advisor, DnB Nor Markets, to assist with its evaluation of the transaction. The details of each transaction are as follows:

(in millions of \$)	2012		2011
	Golar Grand	NR Satu	Golar Freeze
Purchase consideration	176.8	388.0	231.3
Less: Net assets acquired			
- Vessel – historic book value	127.5	257.6	166.0
- Capital lease obligation assumed (net of restricted cash)	(90.8)	—	—
- Loan debt assumed	—	—	(108.0)
- Other net assets (liabilities)	6.4	(1.9)	7.5
Total net assets acquired	(43.1)	(255.7)	(65.5)
Deduction to equity	133.7	132.3	165.8

Golar Freeze

On October 19, 2011, we acquired Golar's 100% ownership interest in certain subsidiaries which own and operate the *Golar Freeze* and hold the secured bank debt. The purchase consideration was \$330 million for the vessel and \$9 million of working capital adjustments net of the assumed bank debt of \$108.0 million, resulting in total purchase consideration of approximately \$231.3 million of which \$222.3 million was financed by vendor financing in the form of the Golar LNG vendor financing loan, further described in paragraph (d) above.

NR Satu

On July 19, 2012, we acquired Golar's equity interests in certain subsidiaries which own and operate the *NR Satu*. The purchase consideration was \$385 million for the vessel and working capital adjustments of \$3.0 million, resulting in total purchase consideration of approximately \$388 million of which \$230 million was financed from the proceeds of the July 2012 equity offering and \$155 million vendor financing in the form of the Golar LNG vendor financing loan, further described in paragraph (e) above.

Golar Grand

On November 8, 2012, we acquired Golar's equity interests in subsidiaries which lease and operate the *Golar Grand*. The purchase consideration was \$265 million for the vessel and working capital adjustments of \$2.6 million, net of the assumed capital lease obligation of \$90.8 million, resulting in total purchase consideration of \$176.8 million which was principally financed from the proceeds of the November 2012 equity offering.

Golar Maria

In February 2013, we acquired Golar's 100% interest in the company that owns and operates the *Golar Maria*. The details of the transaction are omitted from the table above, as this was accounted for as a business combination (see note 10).

(l) *Payment due under Omnibus Agreement* - During the year, we incurred expenses of \$3.3 million, which was indemnified by Golar as part of the Omnibus agreement. A receivable has been recognized for this amount.

(m) *Dividends to Golar* - Since our IPO in April 2011, we have declared and paid quarterly distributions totaling \$63.7 million, \$47.3 million and \$19.1 million to Golar for each of the years ended December 31, 2013, 2012 and 2011, respectively.

Golar Grand option

In connection with the acquisition of the *Golar Grand* in November 2012, we entered into an Option Agreement with Golar. Under the Option Agreement, we have an option to require Golar to enter into a new time charter with Golar as charterer until October 2017 if the current charterer does not renew or extend the existing charter after the initial term (which expires in 2015).

Indemnifications and guarantees

Tax lease indemnifications

Under the Omnibus Agreement, Golar has agreed to indemnify us in the event of any liabilities in excess of scheduled or final settlement amounts arising from the *Methane Princess* leasing arrangement and the termination thereof.

In addition, Golar has agreed to indemnify us against any liabilities incurred as a consequence of a successful challenge by the UK Revenue Authorities with regard to the initial tax basis of the transactions in respect of the *Methane Princess* and other vessels previously financed by UK tax leases or in relation to the restructuring terminations in 2010.

Environmental and other indemnifications

Under the Omnibus Agreement, Golar has agreed to indemnify us until April 13, 2016, against certain environmental and toxic tort liabilities with respect to the assets that Golar contributed or sold to us to the extent arising prior to the time they were contributed or sold. However, claims are subject to a deductible of \$0.5 million and an aggregate cap of \$5 million.

In addition, pursuant to the Omnibus Agreement, Golar agreed to indemnify us for any defects in title to the assets contributed or sold to us and any failure to obtain, prior to April 13, 2011, certain consents and permits necessary to conduct our business, which liabilities arise within three years after the closing of our IPO on April 13, 2011.

Acquisition of Golar Freeze and NR Satu

Under the Purchase, Sale and Contribution Agreement entered into between Golar and us on October 19, 2011 and July 19, 2012, Golar has agreed to extend the above indemnifications to include any liabilities relating to the *Golar Freeze* and the *NR Satu*.

Acquisition of the Golar Maria

Under the Purchase, Sale and Contribution Agreement entered into between Golar and us on February 7, 2013, Golar has agreed to indemnify us against certain environmental and toxic tort liabilities with respect to the assets that Golar contributed or sold to us to the extent arising prior to the time they were contributed or sold and to the extent that we notify Golar within five years of February 7, 2013.

25. OTHER COMMITMENTS AND CONTINGENCIES

Assets pledged

(in thousands of \$)	2013	2012
Book value of vessels and equipment secured against long-term loans and capital leases	1,409,284	1,192,779

Other contractual commitments and contingencies

Insurance

We insure the legal liability risks for our shipping activities with Gard and Skuld, which are mutual protection and indemnity associations. As a member of a mutual association, we are subject to calls payable to the associations based on our claims record in addition to the claims records of all other members of the association. A contingent liability exists to the extent that the claims records of the members of the association in the aggregate show significant deterioration, which results in additional calls on the members.

Tax lease benefits

The benefits under lease financings are derived primarily from tax depreciation assumed to be available to lessors as a result of their investment in the vessels. If that tax depreciation ultimately proves not to be available to the lessors, or is recovered from the lessor as a result of adverse tax rate changes or rulings, or in the event we terminate one or more of our leases, we would be required to return all or a portion of, or in certain circumstances significantly more than the upfront cash benefits that we received, together with fees that were financed in connection with our lease financing transactions, post additional security or make additional payments to our lessors. As of December 31, 2013, we have one remaining UK tax lease (relating to the *Methane Princess*). A termination of this lease would realize the accrued currency gain or loss recorded against the lease liability, net of the restricted cash. As of December 31, 2013, there was a net accrued loss of approximately \$0.3 million.

Golar has agreed to indemnify us against any liabilities incurred as a consequence of a successful challenge by the UK Revenue Authorities with regard to the initial tax basis of the transactions in respect of the remaining lease (including the other vessels previously financed by UK tax leases) or in relation to the restructuring terminations in 2010.

Legal proceedings and claims

We may, from time to time, be involved in legal proceedings and claims that arise in the ordinary course of business.

PT Golar Indonesia, our subsidiary that is both the owner and operator of the *NR Satu*, has been notified of a claim that may be filed against it by PT Rekayasa, a subcontractor of the charterer, PT Nusantara Regas, claiming that Golar and its subcontractor caused damage to the pipeline in connection with the FSRU conversion of the *NR Satu* and the related mooring. As of the current date, no suit has been filed and we are of the view that, were the claim to be filed with the Indonesian authorities, any resolution could potentially take years. We continue to believe we have meritorious defences against these claims, however, we are currently involved in compromise settlement discussions with the other parties. An estimate of the compromise settlement amount is between \$2 million and \$4.8 million. Accordingly, we have provided for a \$2 million loss contingency (recorded in current liabilities), but have also recognized an asset for the same, on the basis that we consider it probable that this loss will be recoverable from our subcontractor, who is also a party to these settlement discussions. In addition, as part of the acquisition of *NR Satu* in July 2012, Golar has also agreed to indemnify us against any such non-recoverable losses.

26. EQUITY ISSUANCES

The following table summarizes the issuances of common and general partner units since our IPO in April 2011:

Date	Number of Common Units Issued ¹	Offering Price	Gross Proceeds (in thousands of \$) ²	Net Proceeds (in thousands of \$)	Golar's Ownership after the Offering ³	Use of Proceeds
July 2012	7,294,305	\$ 30.95	230,366	221,746	57.5%	Acquisition of the <i>NR Satu</i>
November 2012	5,824,590	\$ 30.50	181,275	180,105	54.1%	Acquisition of the <i>Golar Grand</i>
January 2013	4,316,947	\$ 29.74	131,006	130,244	50.9%	Acquisition of the <i>Golar Maria</i>
December 2013	5,100,000	\$ 29.10	151,439	150,342	41.4%	Acquisition of the <i>Golar Igloo</i>

¹ Includes common units issued by us to Golar in a private placement made concurrent to the public offering of 969,305 common units, 1,524,590 common units and 416,947 common units in July 2012, November 2012 and January 2013, respectively. There was no private placement of common units to Golar in the December 2013 offering, however, 3,400,000 of our common units held by Golar were sold to the public in a secondary offering.

² Includes General Partner's 2% proportionate capital contribution.

³ Includes Golar's 2% general partner interest in the Partnership.

The following table shows the movement in the number of common units, subordinated units and general partner units during the years ended December 31, 2013 and 2012:

(in units)	Common Units	Subordinated Units	GP Units
December 31, 2011	23,127,254	15,949,831	797,492
July 2012 offerings	7,294,305	—	148,864
November 2012 offerings	5,824,590	—	118,869
December 31, 2012	36,246,149	15,949,831	1,065,225
January 2013 offerings	4,316,947	—	88,101
December 2013 offerings	5,100,000	—	104,082
December 31, 2013	45,663,096	15,949,831	1,257,408

27. EARNINGS PER UNIT AND CASH DISTRIBUTIONS

Earnings per unit have been calculated in accordance with the distribution guidelines set forth in the Partnership agreement and are determined by adjusting net income for the period by distributions made or to be made in relation to the period irrespective of the declaration and payment dates. The calculations of basic and diluted earnings per unit are presented below:

(in thousands of \$ except unit and per unit data)	2013	2012	2011
Net income attributable to general partner and limited partner interests	141,296	116,418	85,534
Less: Dropdown Predecessor net income	—	(28,015)	(21,937)
Less: distributions paid (1)	(127,260)	(87,072)	(46,423)
Under distributed earnings	14,036	1,331	17,174
Under distributed earnings attributable to:			
Common unit holders	6,649	1,304	16,829
Weighted average units outstanding (basic and diluted) (in thousands):			
Common units	40,417	27,441	23,127
Earnings per unit (basic and diluted):			
Common unit holders	2.31	2.08	1.89
Cash distributions declared and paid in the period per unit (2):	2.05	1.78	0.73
<i>Subsequent event:</i> Cash distributions declared and paid per unit relating to the period (3)	0.52	0.50	0.43

(1) This refers to distributions made or to be made in relation to the period irrespective of the declaration and payment dates and based on the number of units outstanding at the quarter end date. This also includes cash distributions to IDR holders for the years ended December 31, 2013, 2012 and 2011 of \$4.9 million, \$nil and \$nil, respectively.

(2) Refers to cash distributions declared and paid during the period.

(3) Refers to cash distributions declared and paid subsequent to the period end.

As of December 31, 2013, of our total number of units outstanding, 59% (2012: 46%) were held by the public and the remaining units were held by Golar (including the general partner units representing a 2% interest).

Earnings per unit is determined by adjusting net income for the period by distributions made or to be made in relation to the period. Any earnings in excess of distributions are allocated to partnership units based upon the cash distribution guidelines in our First Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”). Any distributions in excess of earnings are allocated to partnership units based upon the allocation and distribution of amounts from partners’ capital accounts. The resulting earnings figure is divided by the weighted-average number of units outstanding during the period. For the periods presented prior to April 13, 2011, such units are deemed equal to the common and subordinated units received by Golar.

The General Partner's, common unit holders' and subordinated unit holder's interests in net income are calculated as if all net income was distributed according to the terms of the Partnership Agreement, regardless of whether those earnings would or could be distributed. The Partnership Agreement does not provide for the distribution of net income; rather, it provides for the distribution of available cash, which is a contractually defined term that generally means all cash on hand at the end of the quarter after establishment of cash reserves determined by our board of directors to provide for the proper conduct of our business including reserves for maintenance and replacement capital expenditure and anticipated credit needs. In addition, the General Partner and Golar Energy are entitled to incentive distributions if the amount we distribute to unit holders with respect to any quarter exceeds specified target levels. Unlike available cash, net income is affected by non-cash items, such as depreciation and amortization, unrealized gains or losses on non-designated derivative instruments and foreign currency translation gains (losses).

Under the Partnership Agreement, during the subordination period, the common units will have the right to receive distributions of available cash from operating surplus in an amount equal to the minimum quarterly distribution of \$0.3850 per unit per quarter, plus any arrearages in the payment of minimum quarterly distribution on the common units from prior quarters, before any distributions of available cash from operating surplus may be made on the subordinated units.

The amount of the minimum quarterly distribution is \$0.3850 per unit or \$1.54 unit per unit on an annualized basis and is made in the following manner, during the subordination period:

- First, 98% to the common unit holders, pro rata, and 2% to the General Partner until each common unit has received a minimum quarterly distribution of \$0.3850;
- Second, 98% to the common unit holders, pro rata, and 2% to the General Partner, until each common unit has received an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for prior quarters during the subordination period; and
- Third, 98% to the holders of subordinated units, pro rata, and 2% to the General Partner until each subordinated unit has received a minimum quarterly distribution of \$0.3850.

In addition, the General Partner and Golar Energy currently hold all of the incentive distribution rights in the Partnership. Incentive distribution rights represent the right to receive an increasing percentage of quarterly distributions of available cash from operating surplus after the minimum quarterly distribution and the target distribution levels have been achieved.

If for any quarter:

- we have distributed available cash from operating surplus to the common and subordinated unit holders in an amount equal to the minimum quarterly distribution; and
- we have distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution;

then, we will distribute any additional available cash from operating surplus for that quarter among the unit holders and the General Partner in the following manner:

- *first*, 98.0% to all unit holders, pro rata, and 2.0% to the General Partner, until each unit holder receives a total of \$0.4428 per unit for that quarter (the "first target distribution");
- *second*, 85.0% to all unit holders, pro rata, 2.0% to the General Partner and 13.0% to the holders of the incentive distribution rights, pro rata, until each unit holder receives a total of \$0.4813 per unit for that quarter (the "second target distribution");
- *third*, 75.0% to all unit holders, pro rata, 2.0% to the General Partner and 23.0% to the holders of the incentive distribution rights, pro rata, until each unit holder receives a total of \$0.5775 per unit for that quarter (the "third target distribution"); and
- *thereafter*, 50.0% to all unit holders, pro rata, 2.0% to the General Partner and 48.0% to the holders of the incentive distribution rights, pro rata.

In each case, the amount of the target distribution set forth above is exclusive of any distributions to common unit holders to eliminate any cumulative arrearages in payment of the minimum quarterly distribution. The percentage interests set forth above assume that the General Partner maintains its 2.0% general partner interest and that we do not issue additional classes of equity securities.

28. SUBSEQUENT EVENTS

In February 2014, we paid a cash distribution of \$0.5225 per unit in respect of the three months ended December 31, 2013.

In March 2014, we completed our acquisition of interests in the company that owns and operates the FSRU, the *Golar Igloo* (see note 29).

In April 2014, we declared a cash distribution of \$0.5225 per unit in respect of the three months ended March 31, 2014.

29. ACQUISITION AFTER BALANCE SHEET DATE

In March 2014, we acquired Golar's 100% interest in the company that owns and operates the *Golar Igloo* pursuant to a Purchase, Sale and Contribution Agreement that we entered into with Golar on December 5, 2013. The purchase consideration was \$310.0 million for the vessel (including charter) less the assumed bank debt of \$161.3 million plus the fair value of the interest rate swap asset of \$3.3 million and other purchase price adjustments. The *Golar Igloo* was delivered to its current charterer, Kuwait National Petroleum Company ("KNPC"), the national oil refining company of Kuwait in March 2014 under a charter expiring in December 2018. The acquisition of the *Golar Igloo* is expected to be accretive to our distributions.

We accounted for the acquisition of the *Golar Igloo* as a business combination. The purchase price of the acquisition has been allocated to the identifiable assets acquired. We are in the process of finalizing the accounting for the acquisition and amounts shown below are provisional. Additional business combination disclosures will be presented in our next available interim report.

The allocation of the purchase price to acquired identifiable assets was based on their estimated fair values at the date of acquisition. The provisional fair values allocated to each class of identifiable assets of *Golar Igloo* and the difference between the purchase price and net assets acquired was calculated as follows:

<i>(in thousands of \$)</i>		March 28, 2014
Purchase consideration	(1)	152,059
Less: Fair value of net assets (liabilities) acquired:		
Vessel including allocation to charter (if applicable)	310,000	
Fair value of interest rate swap	3,329	
Long-term debt	(161,270)	
Others	— (2)	
Subtotal		(152,059)
Difference between the purchase price and fair value of net assets acquired		—

(1) This includes the purchase consideration for the vessel less the fair value of the assumed bank debt plus fair value of the interest rate swap asset but excludes any working capital adjustments which will be available upon finalization of the results of the *Golar Igloo* for the first quarter of 2014.

(2) This information will be available upon finalization of the results of the *Golar Igloo* for the first quarter of 2014.