



# 07

Annual report

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**GASSCO ANNUAL REPORT 2007**

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# A different day

**Petroleum operations on the Norwegian continental shelf (NCS) are moving in a different direction to the one we have been familiar with. Declining production, rising costs, increased complexity and climate challenges will make their mark on daily life in our industry over coming years.**

Global climate challenges represent a common responsibility. Our industry is not only part of the problem, but also part of the solution. We in Gassco will make our own contribution in that respect. We have earlier headed work on identifying possible value chains for managing carbon emissions, and are now involved in work related to carbon transport and disposal from future capture plants at Kårstø and Mongstad.

As the operator for major gas processing plants, we use the best available technology and strive to exploit energy as efficiently as possible. We are also part of an international allowance system for carbon emissions, where we are learning important lessons for the coming period with allowance trading.

Millions of Europeans depend on Norwegian gas for energy. The gas Norway delivers also competes with other and far more polluting energy forms. For me, this also has an environmental dimension. From a Norwegian viewpoint, of course, safe and stable operation is primarily about benefiting from major investments in the longer term. But Europe's concern is with stable supplies of a form of energy which is far cleaner in environmental terms than lignite imported from other parts of the world, for instance.

Our focus on safe operation is partly about making the processing plants at Kårstø and Kollsnes robust for the future. Roughly 20 years after coming on stream, the Kårstø facility creates more value than almost any other industrial plant built on Norwegian soil. This is the value creation we aim to safeguard through the KEP2010 upgrading project.

Safe operation also has a health, safety and environmental (HSE) perspective. Major accidents must be avoided at all costs. Equipment vital for safety at plants and on installations needs to be maintained in a planned way, and gas leaks must be prevented. I am pleased that we in Gassco can point to improvements in the personal injury frequency. But we are still burdened with too many critical and serious incidents where we have operator responsibility.

We took over day-to-day operation of the receiving terminals for Norwegian gas in Germany, Belgium and

France on 1 July 2007. This process was conducted in an excellent way, and everyone involved deserves praise for that. From where I stand, it is also important to note that the take-over in continental Europe ensures objective and neutral operation at the interface with downstream gas players. This is an important element in the model for our business, and contributes to a clearer division of roles.

The effects of the Statoil-Hydro merger were also on our agenda in 2007. Like other players, we were asked by the government to assess the possible consequences of this transaction. Our basis is that gas transport and processing will be pursued on objective and non-discriminatory terms and that the facilities will be further developed in a manner which promotes operations on the NCS in an overall perspective. In my view, StatoilHydro undoubtedly has a stronger position on the NCS than the two companies had separately. Nor do I think anyone disagrees that the merged group must look after its own interests on the NCS, including the further development of the gas transport system. For our part, we in Gassco must adopt a holistic perspective. To discharge our role in light of the merger, we have noted the need to strengthen our position through regulatory changes and increased resources. During the year, we recruited a substantial number of highly qualified personnel. I am convinced that this will help us to exercise our operator responsibility with the necessary professional weight and authority.

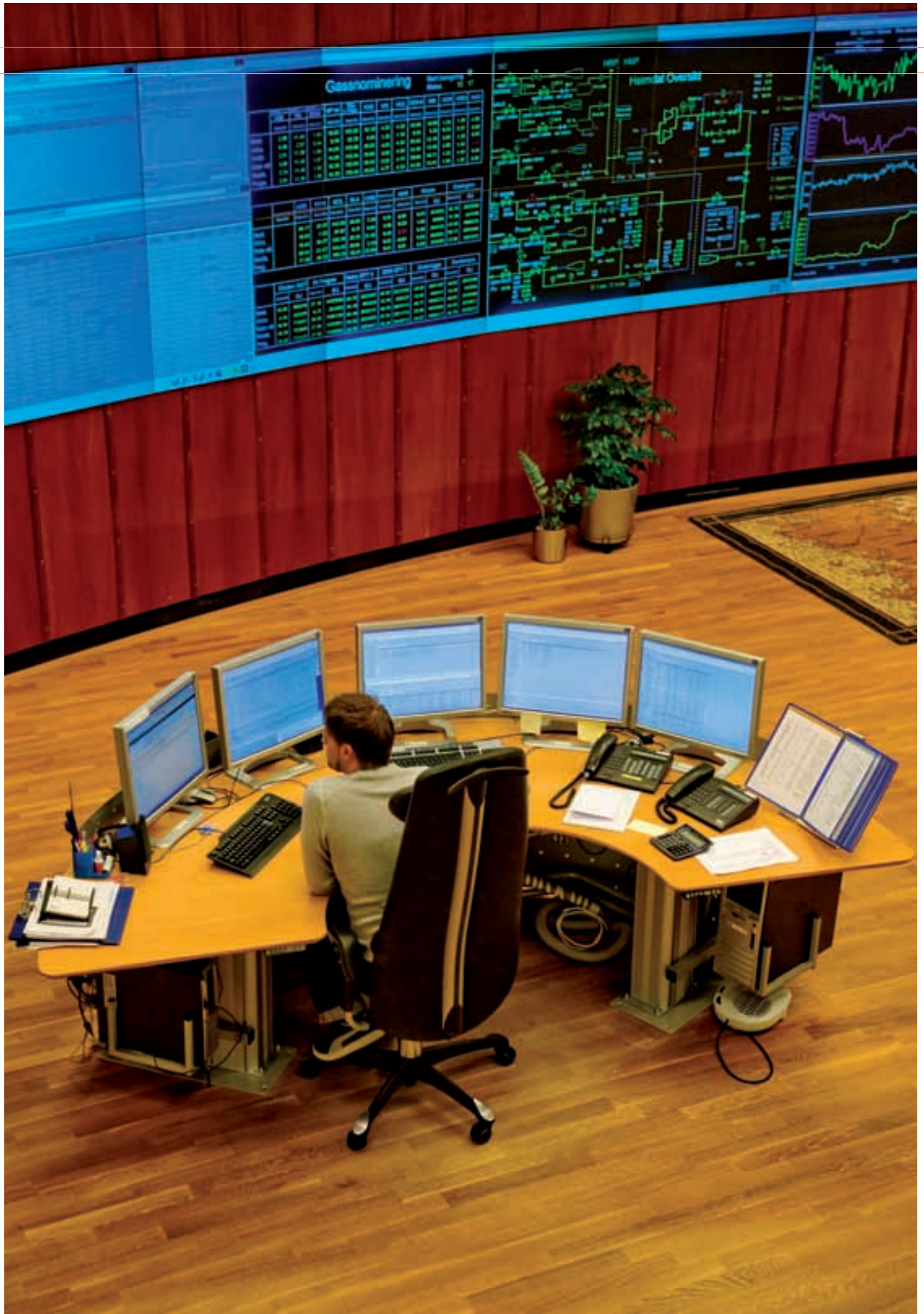
I began by noting that the NCS faces a different development path than we have seen over the past 30 years. Oil production is in decline, and we are unlikely to be able to expect any growth in gas output if we look some years ahead. We must be prepared for the changes which will flow from these trends. In the transport system, it will always be important to adapt the structure to ensure optimum value creation based on available gas resources. Our job as operator is to participate in the adjustments required on the NCS at any given time. In this picture, it is important that we understand both opportunities and constraints. Although the future will be less about growth, we will face challenges over the next 30 years which are just as exciting as those we have tackled in the previous three decades.



A handwritten signature in black ink, appearing to read 'Brian D Bjordal'.

**Brian D Bjordal**  
President and CEO





# Directors' report

The working environment in Gassco is good. An organisational survey conducted in 2007 yielded very satisfactory results.

## Introduction

Gassco is a limited company owned by the Norwegian state, which operates the integrated gas transport system from the NCS to European countries. This system comprises pipelines, gas treatment facilities, platforms and receiving terminals in continental Europe and the UK.

The company's head office is at Bygnes in Karmøy local authority. It also opened branches in Germany, Belgium and France during 2007.

Framework conditions for Gassco, including the relationship between it and the owners of the gas transport system, are determined by the government. The system owners finance all major investments, which are capitalised in their respective accounts. They also finance Gassco's operation, with the company making cash calls in advance on the basis of liquidity budgets and forecasts. Gassco does not make a profit or a loss from its operations. This means that its economic and financial risks are limited. Given these frame conditions, the annual accounts, balance sheet and liquidity will not be specifically discussed.

Strategic planning, balanced performance management, budgeting and periodic financial and operational reporting are tools used in the management of the business.

## Organisation

Gassco had 302 permanent employees at 31 December 2007, including 116 employed at the continental receiving terminals. Four employees completed personal development programmes in 2007 which gave formal credits in the Norwegian educational system. Three of them were women. Several of these employees are upgrading their qualifications – from engineer to graduate engineer, for instance.

Women account for 21 per cent of Gassco's workforce. Eight of 30 new recruits with higher education in 2007 were women. Recruiting more women graduates is a priority for the company.

In determining and negotiating pay, Gassco places special emphasis on equal treatment of men and women. The company has eight part-time employees, all female. Each of these can transfer to full-time working at short notice should they wish to. Gassco currently has one office trainee.

## Health, safety, the environment and quality (HSE&Q)

Gassco's target is zero harm to people, the environment and material assets. This goal is based on a conviction that all harm can be prevented by systematic and purposeful HSE&Q work.

The company's management system covers such aspects as registration, reporting, investigation and follow-up of incidents and non-conformances. This is important for achieving continuous improvement in the HSE&Q area. The company has defined performance indicators which show how HSE&Q results are developing over time. That helps to identify trends in order to ensure that improvement measures are as effective as possible. An important part of Gassco's management system is the contingency plan and associated emergency response organisation.

The latter held and participated in several exercises in 2007, including a major test with a simulated gas leak from one of Gassco's pipelines north of Stavanger. This took place in cooperation with local rescue resources, the Petroleum Safety Authority Norway, Karmøy local authority and other relevant players.

No incidents in the Gassco's operator area resulted in loss of life. HSE&Q developments for the company's business in 2007 showed a continued decline in the personal injury frequency. However, the frequency of critical incidents indicated some increase from the 2006 result. Gassco will maintain its continuous efforts to achieve further improvements, with special attention paid to all conditions with the potential for a major accident.

## Directors' report



The working environment in Gassco is good. An organisational survey conducted in 2007 yielded very satisfactory results. Specific targets for 2007 were an overall sickness absence below three per cent and zero occupational illness. Results for the year show that overall sickness absence was 3.15 per cent for Gassco's operator area and 2.02 per cent for the company's own employees. Gassco had no reported occupational ill health.

### HEALTH AND SAFETY PERFORMANCE

	Results 2007	Results 2006
Deaths	0	0
Total personal injuries	25	27
Lost-time injuries (incl in personal injuries)	9	9
Fires	0	0
Gas leaks	1	5
Critical incidents	10	7
Emissions/discharges in excess of licence limits	0	0

Gassco operated all its facilities and installations within prevailing emission/discharge permits. Nor have operations led to extensive acute emissions or discharges.

### EMISSIONS/DISCHARGES TO THE NATURAL ENVIRONMENT

		2007	2006
To the air	Nitrogen oxides	936 tonnes	965 tonnes
	Carbon dioxide	1 397 kilotonnes	1 378 kilotonnes
	Safety flaring	28 kilotonnes	27 kilotonnes
To water	Oil	362 kilograms	476 kilograms
	Phenol	64 kilograms	92 kilograms
	TOC	7 067 kilograms	6 293 kilograms
To soil	Oil	None	None

The company purchased 1 551 tonnes of European Union carbon emission allowances (EUAs) for the Dornum terminals and 2 633 for Emden in 2007. These covered a deficit in allocated free allowances for the 2006 emission year.

Gassco has applied for EUAs in phase II of the carbon allowance system (the Kyoto period from 2008-12). This will allow the company to become an important player in the Norwegian allowance trading regime. Gassco will identify the challenges presented by greenhouse gas emissions and work on them in an integrated way.



## Directors' report

### System operation

Norwegian gas exports to Europe through the integrated transport system totalled 86.68 billion standard cubic metres (scm) in 2007. In addition, 2.58 billion scm were delivered for injection into fields on the NCS, while 900 million scm were supplied for domestic consumption. The start-up of the Langeled North system and deliveries from the Ormen Lange processing plant at Nyhamna contributed to increased gas volumes in the transport system. Bringing the Tampen Link pipeline into operation contributed to increased gas transport capacity from fields in the Tampen area to the UK via the British Flags pipeline and the St Fergus receiving terminal. Fram and Njord also began delivering gas to the transport system in 2007. One challenge is that a number of Norwegian offshore fields have a gas quality which requires processing or mixing before delivery to the buyer. Through extensive mixing of flows, Gassco has delivered 99.99 per cent of the gas volumes to the agreed quality. When part of the transport system drops out, gas is lifted from other fields/terminals and guided into the system. This means that total delivery availability came to 99.71 per cent.

Planning of vessel traffic to and from Kårstø calls for careful coordination with daily gas transport to avoid filling product stores to capacity and causing field shut-downs. No incidents related to coordination occurred in 2007 which had any significance for gas transport. A total of 755 ship calls were recorded at Kårstø during the year, loading 8 350 911 tonnes of liquids. In addition, 1 069 624 tonnes of liquids produced at Kollsnes were delivered via Vestprosess to Mongstad.

### Capacity administration

Two capacity booking rounds were held in Gassled during 2007. The results of these rounds indicate that little spare capacity is available for sale in the primary market at the most attractive landfalls before 2017-18. Nevertheless, a good deal of spare capacity is available earlier than this at landfalls in Germany and at St Fergus in the UK.

Gassco held a Tampen Link investor booking round in May 2007, when the owners of this pipeline were able to book capacity up to their share of the investment in accordance with applicable rules. Tampen Link was

incorporated in Gassled area F with effect from 1 September 2007.

### Operation and development of installations

Availability at the big processing plants in the transport system was high in 2007. The Kårstø facility achieved a plant availability of 94.72 per cent. Unavailabilities related largely to planned maintenance and minor operational disruptions. The Kollsnes facility achieved a plant availability of 95.49 per cent. Unavailabilities were largely caused by capacity restrictions related to flash gas compressors and shutting down turboexpanders to reduce loads when thundery weather posed a threat of power cuts.

The Kårstø master plan (KMP) was established in 2005 with the aim of identifying measures which could further enhance the robustness of the facilities at this plant and, if possible, expand their capacity.

Projects identified in the KMP will be sanctioned and executed, either as stand-alone schemes or as groups of sub-projects.

The Kårstø expansion project (KEP2010) was sanctioned in July 2007, and comprises 16 sub-projects which are largely intended to enhance the robustness of the processing plant. Estimates put the investment at NOK 6.5 billion.

The Contract Year 2007 (CY2007) project, which aims to increase delivery flexibility at Kårstø, was executed on schedule and to budget.

A technical availability of 99.89 per cent was achieved for the transport network, which is considered a very good result. The part of the system to present challenges in terms of technical availability during 2007 was the Heimdal Riser platform. That reflects its dependence on the main platform.

In cooperation with ConocoPhillips, Gassco completed the project related to bypassing and removing the H7 platform on the Norpipe line. This work was executed as planned, below budget and without HSE incidents. H7 is unstaffed, and plans call for it to be removed in 2014.



## Directors' report



The northern leg of the Langeled pipeline was completed in the summer of 2007, and could then deliver gas from the Sleipner fields for testing the Ormen Lange processing plant at Nyhamna. Regular gas exports from this facility began as planned on 1 October 2007.

Gassco took over the operatorship of Tampen Link on 1 September 2007, and brought this line into operation on 10 October. Tie-in to the infield pipeline on Statfjord is due to be completed in mid-2008.

The gas terminals in continental Europe and the UK achieved an average technical availability of 99.9 per cent, which is considered a good result.

It was decided in August 2006 that Gassco should carry out the activities required to take over day-to-day operation of the continental receiving terminals from 1 July 2007. Executed in cooperation with Statoil (as it then was) and ConocoPhillips, the project to implement this takeover was completed to budget and on schedule. Important challenges in the project included the transfer of 116 employees, establishment of necessary IT systems, transfer of official permits and the revision of commercial agreements. Experience since the take-over has been positive.

Gassco is maintaining the ambitions in the Gassled cost-saving programme, which aims to trim NOK 500 million per year from operating expenditures by 2010. That corresponds to 20 per cent of modifiable operating costs when the programme was adopted in 2004. Work was on schedule at 31 December, with measures yielding annual savings of NOK 386 million having been implemented.

### Infrastructure development

Gassco performs annual transport analyses to identify future development needs for the gas infrastructure on the NCS. Results from these assessments are incorporated in the 2007 transport plan, and show that the system is expected to be well utilised in the short term. Demand for transport capacity in the 2008-09 contract years is somewhat higher than availability. In the medium and long term, new field developments could create a need for additional transport capacity.

Infrastructure development projects have been launched on the basis of findings from the transport analysis. These are looking at such aspects as capacity

increases, debottlenecking and gas quality improvements. Infrastructure projects pursued by Gassco in 2007 are summarised briefly below.

- The 2007 transport plan confirmed the challenges posed by an increased carbon content in rich gas reaching Kårstø. A carbon dioxide feasibility study completed in the spring of 2007 assessed potential solutions from field to delivery point. Some of the options were further matured in a conceptual study completed in the autumn of 2007. Potential solutions are assessed by looking at measures on the field, at Kårstø and at the delivery point in Dornum.
- Gassco has played a central and coordinatory role in the gas network expansion (GNE) project, which aimed to assess an expansion in processing capacity at Kollsnes, new transport solutions based on increased volumes from Troll, and transport and processing of additional gas from fields in the Tampen and Halten/Nordland areas of the NCS. This work was terminated in the autumn of 2007, following information from the Troll licence that the Ministry of Petroleum and Energy (MPE) would not increase production permits for Troll gas beyond their present level.
- Gassco carried out a study to identify possible transport solutions for future gas from the Halten/Nordland area. This work was based on information from shippers about future gas transport needs and assessments of the volume base by the Norwegian Petroleum Directorate. The goal was to find good integrated solutions which took account of the existing transport network, and to establish whether the GNE project could have synergies with future gas transport from Halten/Nordland. The need and scope for further studies will now be reassessed after the GNE work terminated in the autumn of 2007.

### Skanked

Industrial and energy companies in Norway, Sweden, Denmark, Germany and Poland are behind the financing and planning of a gas transport system to Grenland in south-eastern Norway, western Sweden and Jutland in Denmark. Poland's PGNIG, Germany's E.ON Ruhrgas and Sweden's Preem Petroleum joined the Skanked owner group in 2007, strengthening opportunities for making this project a reality.



## Directors' report

Gassco will submit the technical calculations with associated costing in January 2008 as a basis for continuing work on the project. Plans call for a possible investment decision in October 2009 and starting up a transport system in December 2012.

### Carbon transport

On behalf of the MPE, Gassco carried out a study in the first half of 2007 to verify the technical feasibility of piping carbon dioxide from planned capture plants at the Kårstø gas-fired power station and a future combined heat and power station at Mongstad. This work concluded that the solutions studied were technically feasible, and it was resolved to continue the project to establish a decision base for choosing a concept. This choice is due to be made in 2008. An investment decision is planned for the autumn of 2009.

Gassco was also commissioned to look after the government's interests in the project considering transport solutions for the carbon capture test facility due to come on stream in 2010 at Mongstad, so that this flow can be injected into the existing carbon capture and storage (CCS) solution at Melkøya. However, work carried out in the autumn of 2007 showed that the costs of such a solution were substantial. The government resolved on that basis not to continue the study.

### Research and development

A five-year research and development programme was launched in 2003 with the focus on enhancing capacity utilisation in the infrastructure, strengthening system integrity, enhancing the energy efficiency of installations and equipment, and reducing emissions.

Execution of this programme relies to a great extent on research expertise in the supplies industry and Statoil-Hydro, plus research institutions such as the Norwegian University of Science and Technology, Sintef and the University of Stavanger.

Gassco devoted NOK 70 million to the R&D programme in 2007, with its own commitment totalling roughly seven work-years.

Areas given priority were the next-generation gas transport system (new pipeline modelling system – newPMS), increased gas processing technology (plant production performance model – 3PM), detection of

trace elements, and projects related to system construction and integrity.

The most important deliveries in 2007 were the completion of:

- functional design specification for newPMS
- technology qualification of acoustic resonance technology (ART) for pipeline and equipment inspection
- identification of energy-saving measures at Kårstø
- improved model calculations for determining pipeline export capacity
- new methods and facilities for mono-ethylene glycol (MEG) regeneration at Kollsnes
- preliminary study of modern maintenance methods for enhanced availability at Kårstø.

### Share capital and shareholders

The company's share capital at 31 December 2007 was NOK 10 million, divided between 10 000 shares. All the shares are owned by the Ministry of Petroleum and Energy on behalf of the Norwegian government.

### Net profit and allocations

Net profit was NOK 666 990, which will be transferred to other equity.

In accordance with section 3, sub-section 3 of the Norwegian Accounting Act, the board confirms that the accounts have been prepared on the assumption that the company is a going concern.

### Prospects

Gassco has focused great attention over the past year on making existing infrastructure more robust. Major modifications have been sanctioned at Kårstø. Because of the aging of the infrastructure, work to enhance robustness will continue to occupy a central place in coming years.

Results from the 2007 transport plan show that increased gas volumes could come from both new and existing fields. This could in turn require increased transport capacity.



## Directors' report



Gassco will continuously focus attention on efficient utilisation and integrated further development of the infrastructure to position Norway as a secure supplier of gas to the European market.

In a longer term perspective, large gas deposits have been identified in the Norwegian Sea for which no transport solution yet exists. Gas evacuation from these waters will be a priority area for Gassco's efforts in the time to come.

The Ministry of Petroleum and Energy has initiated a process together with Gassco and the petroleum industry to ensure that overall considerations are taken into account in work processes related to infrastructure development on the NCS. A clear understanding of the roles and responsibilities of each player is important. The work of defining roles and responsibilities in this context is due to be completed in early 2008.

Great attention is being paid by the European Union to the security of energy supply. Gassco will help to ensure that Norway continues to have an efficient and reliable network for transporting gas to Europe.

The government has ambitious goals for CCS. Gassco is contributing by finding the best solutions for the transport stage in such a chain. The company also wants to play an active role in future work in order to help achieve Norway's climate goals.

Emden, 5 March 2008

Brit Kristin Sæbø Rugland  
Chair

Trygve Refvem  
Deputy chair

Elisabeth Krokeide  
Director

Sverre Quale  
Director

Mimi K Berdal  
Director

Kjellaug Høie Jonassen  
Director\*

Bjarne Aarset  
Director\*

Brian D Bjordal  
President and CEO

\*Worker director

# Board of directors of Gassco 2007



**Mimi K Berdal** Director (born 1959). She works today as a lawyer with her own law practice. Previously served as a legal advisor with Total Norge, and as an associate and partner in the Arntzen de Besche law firm. She also holds a number of directorships, including with Gjensidige and Itera Consulting Group. Director since 2007. **Trygve Refvem** Deputy chair (born 1947). He works today as an independent consultant. Previously senior consultant, Europe programme, executive vice president, Norsk Hydro, vice president, Hydro Agri and vice president, Hydro Oil and Gas. Deputy chair since 2001. **Kjellaug Høie Jonassen** Worker director (born 1960) She is a senior financial coordinator with Gassco. Previously worked with Statoil's product management department and participated in the transfer of operations to Gassco. Chair, Gassco branch, Industry Energy union. Worker director since 2004. **Brit Kristin Sæbø Rugland** Chair (born 1958). She is president of Rugland Investment and Stavanger Investerings AS. Previously president and CEO, Navion, vice president shipping and maritime technology, Statoil, and vice president corporate control, Statoil. Holds a number of industrial directorships and sits on the main board of the Bank of Norway. Chair since 2001. **Bjarne Aarset** Worker director (born 1973). He is a principal engineer with Gassco and chairs the company's branch of the Norwegian Society of Chartered Technical and Scientific Professionals (Tekna). He worked earlier for Statoil on transport optimisation and system design. Has been a worker director since 2006. **Sverre Quale** Director (born 1956). He is currently chief executive of Avinor. Previous appointments include director of the Norwegian Railway Inspectorate and the Norwegian Accident Investigation Board. He chairs the board of Oslo Airport Gardermoen and is a director of Esra Norway. Director since 2007. **Elisabeth Krokeide** Director (born 1962). She is project director at Eidsiva Vekst AS. Previously vice president finance, Mjøskraft AS, chief financial officer, Raufoss ASA, business adviser, Sparebanken Nor, and controller, Moelven Industrier ASA. Holds a number of industrial directorships. Director since 2001.

# Gassco's activities

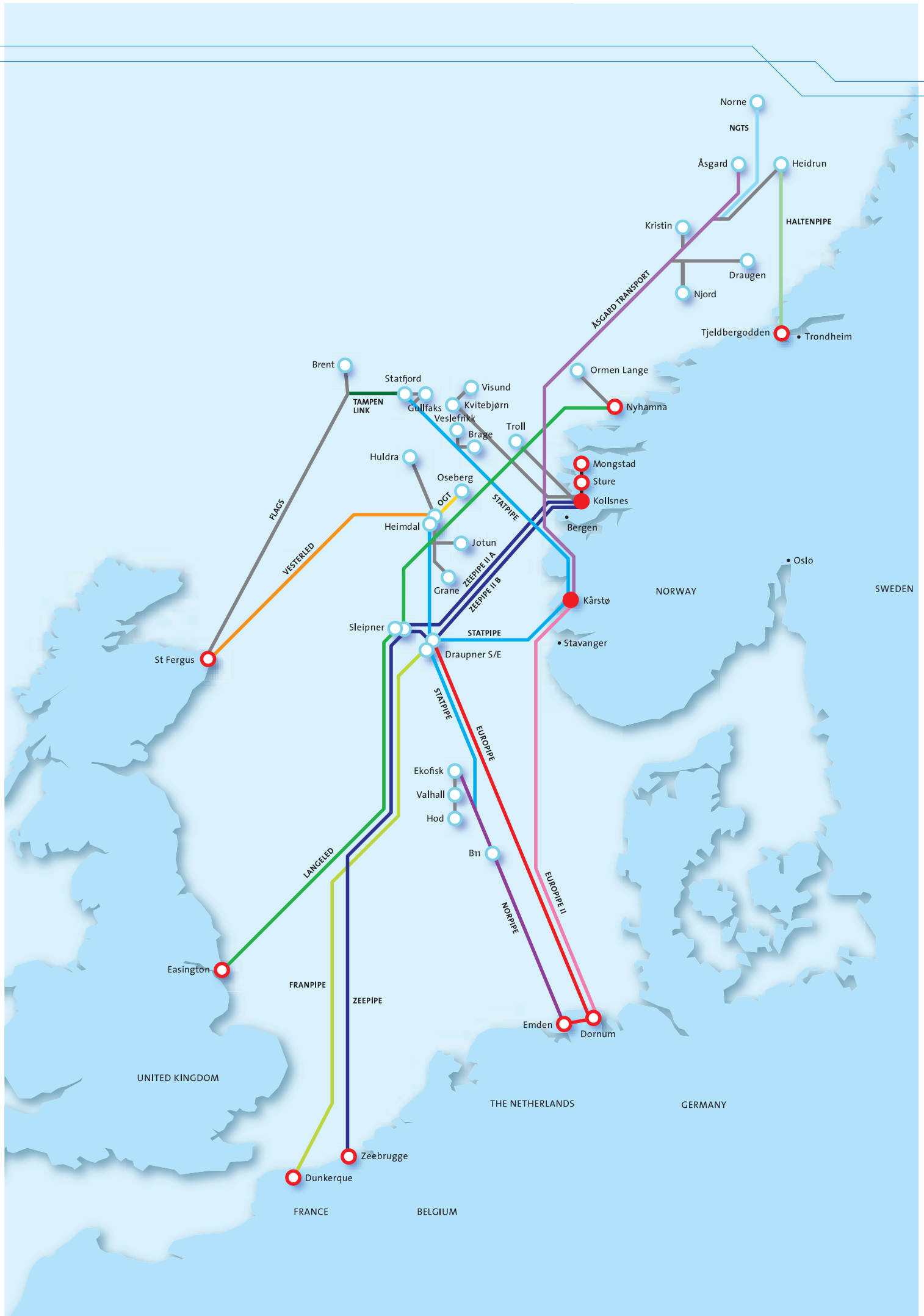
Financial information and other key figures in this section refer to Gassco's whole area of responsibility.



<b>GAS TRANSPORT</b>	<b>2007</b>	2006
Regularity (%)	<b>99.71</b>	99.56
Quality (%)	<b>99.99</b>	99.96
Gas delivered to receiving terminals in Europe (billion scm)	<b>86.68</b>	84.58
Highest delivery per day (million scm)	<b>314.67</b>	299.98
Average gross calorific value (kWh/scm)	<b>11.11</b>	11.10
Total volume other products supplied by gas transport system (million tonnes)	<b>9.42</b>	9.60
Ship calls at Kårstø	<b>755</b>	638

<b>FINANCIAL FIGURES</b>	<b>2007</b>	2006
Gross tariffs	<b>26 416</b>	27 231
Operating expenses	<b>4 101</b>	3 958
Operating investments	<b>618</b>	578
Major projects	<b>2 321</b>	1341
* H7 bypass	<b>241</b>	169
* KEP2010 - Kårstø	<b>512</b>	184
* CY2007 Area B to A crossover	<b>115</b>	13
* CY2008 De-ethaneiser	<b>165</b>	5
* Kollsnes flash gas and condensate project	<b>716</b>	61
* Langeled	<b>572</b>	909

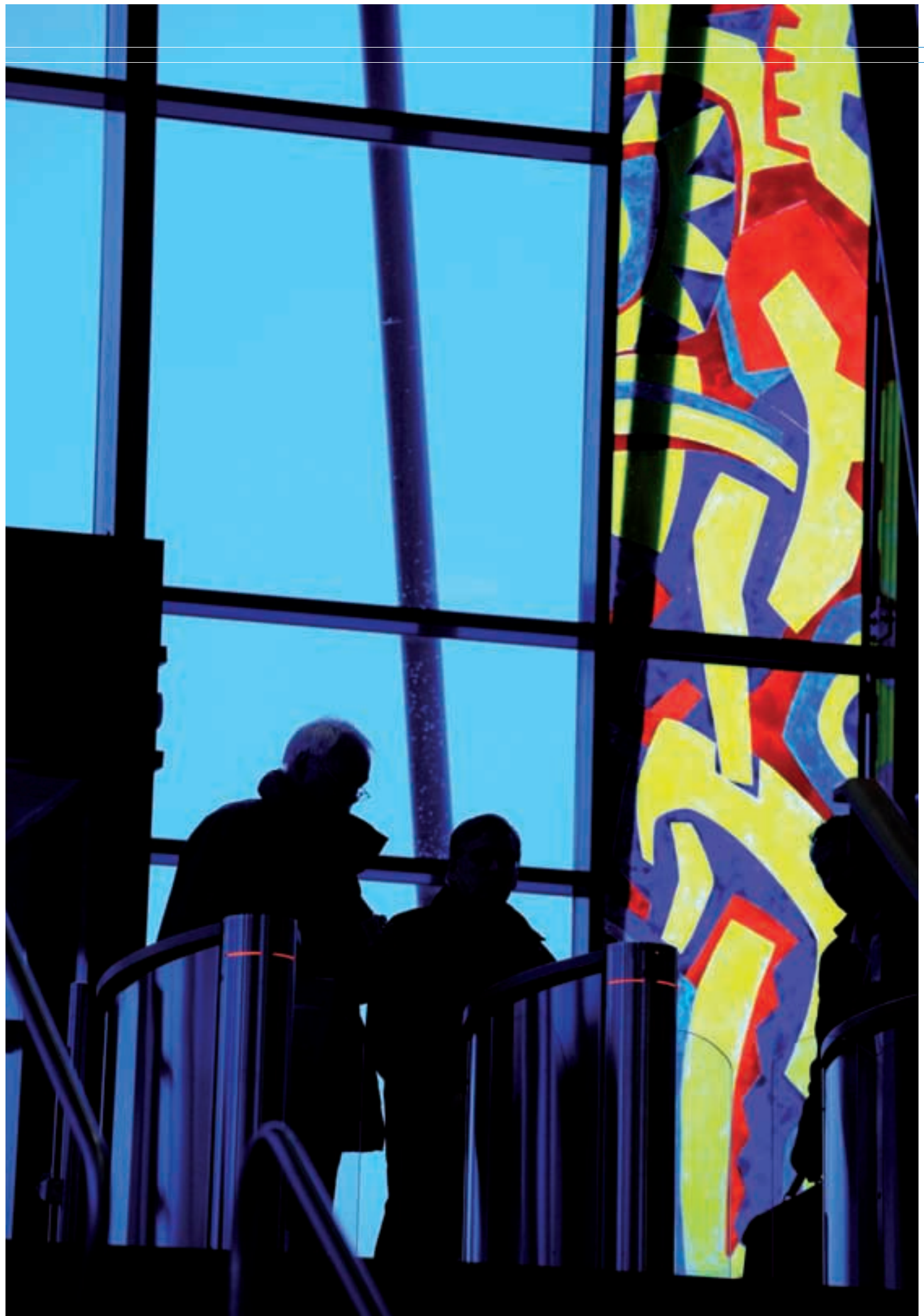














# Corporate governance

**Gassco regards its employees as the key to value creation and further development of the company.**

Corporate governance in Gassco accords with relevant points in the Norwegian code of practice in this area. Since the company is not listed, but is a wholly state-owned limited company which does not have the generation of profits and income for the shareholder as its object, most aspects relating to shareholders are not relevant and are accordingly not covered below.

## **Gassco's object**

Gassco's object is defined in its articles of association. This is to operate transport systems for natural gas on and from the NCS, including pipelines, gas processing plants and receiving terminals, either on its own account or through participation in or together with other companies, and activities related to this. The company operates a gas transport system which administers substantial assets. Their owners and users are represented by many of the big global players in the oil and gas industry. One of the company's principal objectives is to transport gas from the NCS to delivery points in the UK and in continental Europe (Germany, Belgium and France) at the right time and in accordance with prevailing quality requirements. In addition, it is responsible for ensuring third-party access to the Norwegian upstream transport system and for further development of the system pursuant to applicable legislation.

Gassco regards its employees as the key to value creation and further development of the company. On that basis, its focus is on expertise.

Corporate governance in Gassco covers the overall management and control systems intended to ensure that the interests of the owner, the employees, and the users and owners of the gas transport system are protected. It will also ensure that the company is run in a safe, efficient, sustainable and ethically acceptable manner.

## **Management structure and governing bodies**

Gassco has an organisation which combines distinctive features from two different forms of public-sector entity – the administrative agency and the state-owned

company. That creates special decision-making and management principles. Balancing between its duties under public and civil law respectively calls for a clear and well-communicated understanding of Gassco's role, responsibilities and objectives in relation to the owners and users of the gas transport system, the Ministry of Petroleum and Energy and other government authorities.

Governing bodies in Gassco are the general meeting, the board of directors, the chief executive and the management team. The Gassco board works to safeguard the owner's interests, but also has a responsibility towards employees, government authorities, customers/shippers, infrastructure owners, suppliers and other stakeholders. Its established management principles are intended to secure good operation and control of the business. These principles are subject to continuous amendment in order to ensure that the company operates in conformity with statutory provisions.

In addition, Gassco is subject to management and control by Gassled and other joint ventures for which the company exercises an operator function.

Gassco's management structure builds on established and communicated goals, strategies and values, including ethical rules. Management and control are exercised through a number of bodies and processes.

## **General meeting**

Gassco AS is a limited company wholly owned by the Norwegian state. The general meeting is its highest authority. The minister of petroleum and energy serves as the general meeting, and is thereby responsible for administering the government's ownership of the company. The annual general meeting is held in Oslo or on the island of Karmøy before the end of June each year. It adopts the profit and loss account and the balance sheet, and determines the application of net profit or coverage of net loss. The general meeting is also responsible for electing directors, such that the board overall possesses appropriate and adequate expertise. Women account for 60 per cent of directors

## Corporate governance



elected by the general meeting. Deloitte is the company's external auditor and is appointed by the general meeting. Apart from the owner, the AGM is attended by the directors, the chief executive and the auditor. The E&P and market department of the Ministry of Petroleum and Energy is responsible for day-to-day supervision of Gassco.

### Corporate assembly

Pursuant to the Act on Limited Companies, a corporate assembly must be elected for companies with more than 200 employees. However, agreement can be reached between the company and a majority of its employees or unions representing two-thirds of the workforce that the company should not have such a body. Gassco took over direct operation of the terminals in Germany, Belgium and France during the summer, which meant that its workforce now exceeds 200. The process of reaching agreement with the employees that a corporate assembly should not be established has begun. Should no corporate assembly be established, the employees will elect either an additional worker director with alternate or two observers. This will probably be implemented in connection with the regular election of worker directors in the spring of 2008.

### Board of directors

The Gassco board comprises seven directors, including five elected by the general meeting and two elected by and from among the employees. All directors elected by the general meeting are independent of the company's day-to-day management and significant business associates. None of the directors own shares in the company. Directors are elected for two years at a time. Continuity on the board is secured by providing new directors with a detailed briefing on the company's history, status and challenges. On accession, new directors must sign declarations of willingness to serve and of confidentiality, and confirm that they have read the company's articles, ethical guidelines, instructions for the board and the chief executive, and matrices for exercising powers of attorney on the company's behalf.

The board is responsible for ensuring an acceptable organisation of the business, for establishing control systems and for ensuring that the business is pursued in accordance with the company's values base and

ethical guidelines. It gives weight to avoiding conflicts of interest, and to ensuring that directors and executives possess broad and in-depth expertise relevant to the company's challenges and the business for which it exercises operator responsibility. The board appoints the chief executive, and establishes instructions both for its own work and for the chief executive.

Six-eight board meetings are held every year. The board is also kept informed about the business through regular reporting between meetings. The chair can summon extraordinary meetings as required.

A schedule has been prepared to indicate the board's role in relation to the various issues. The board evaluates its work and competence on an annual basis.

The board established a compensation committee in 2007 to support its work on the conditions of employment for the chief executive and on the framework and principles governing such conditions for other employees (including bonus schemes). The committee has three members, who are the chair, the deputy chair and one director.

The chief executive is not a director, but has been given a power of attorney on behalf of the company. Power of attorney has also been given to the heads of the German and Belgian terminals.

### Gassco's management

The chief executive is responsible for day-to-day management of the company, and submits proposals for budgets, accounts and important decisions to the board. He has a nine-strong management team, consisting of vice presidents and support functions. Responsibilities and roles

The roles of the various governing bodies are defined through legislation, agreements, statutory regulations and Gassco's articles of association.

Gassco's principal duties and responsibilities are formally defined in the following documents:

- article two of the articles of association on the company's object
- section 4, sub-section 9 of the Norwegian Petroleum Activities Act concerning Gassco's special operator re-

## Corporate governance

sponsibility, and sections 59 and 66 of the petroleum regulations concerning Gassco's capacity administration and responsibility for the system and its further development

- the operator and ownership agreements for the transport joint ventures and companies.

The company's principal assignments and responsibilities mean that it is required to discharge the following duties:

1. operate the Norwegian gas transport system in accordance with the general provisions of civil law concerning the duties to be performed.
2. a special operator responsibility when the work may involve the exercise of official authority and responsibilities under public law.

Gassco's operator responsibility relates to the operation of gas transport systems on behalf of the Gassled, Zeepipe Terminal, Dunkerque Terminal DA, Haltenpipe and Norne Gas Transportation System joint ventures.

Agreements have been concluded by Gassco covering the purchase of technical services. The technical service providers (TSPs) perform their work in the various sections of the gas transport system on behalf of Gassco.

Gassco is responsible as operator for safe and efficient operation, cash calls to fund its activities, collection and payment of tariffs, work programmes, budgets, procurement and insurance. The company is not intended to make a profit or a loss from its operator role. Requirements for maintaining neutrality in the conduct of its operatorship have been specified by statute.

### Risk management and control routines

Management and control are exercised through various processes which involve one or more of the governing bodies. The shareholder's management and control of the business is exercised through annual and extraordinary general meetings. The management manual describes the company's corporate governance, the decision-making process for issues to be considered by the management and the board, and the organisation, role and main activities of each department. Power-of-attorney matrices have been created. A decision-making matrix has been developed which

describes the decision-making processes to be observed for important issues, who will take the final decision, and the source of the decision-taker's authority.

Gassco's management regularly checks that the business is being conducted in accordance with its strategy. Terms of reference for the various joint ventures and their committees have been established and approved by the owners. A special quality assurance process for projects has been established and approved by Gassled.

Primary responsibility for Gassco's supervisory role rests with the HSE&Q department. The company supervises in-house activities and the work of its TSPs in accordance with an annual supervision plan, which is intended to help ensure that activities within its area of responsibility are conducted as required by legislation, statutory regulations, in-house instructions and the TSPs' own in-house requirements. The results of these supervisory activities will be used to achieve continuous improvement and further development of Gassco's management system. Overall management and control to ensure that improvements in the management system are being observed and implemented is exercised by the HSE&Q department.

The chief executive is responsible for ensuring that the management reviews the management system twice a year.

Relevant government agencies, users and owners of the gas transport system and the external auditor supervise Gassco's operatorship, associated activities and management system.

Gassco has established ethical rules in writing for its employees and elected officers. These rules require each person to behave with due care and attention, and to refrain from acts which could weaken the trust reposed in them or their independence. The core values adopted by Gassco provide guidelines for the individual's responsibilities and behaviour. The regulations have been updated in accordance with new guidelines from the owner. Employees receive a briefing on Gassco's ethical rules and values when they join the company.

Special guidelines have been prepared on the use of IT, which describe the rights and duties of the company and the employees.



## Corporate governance



### Internal control

Gassco's management system and associated supervisory routines are based on the internal control principle to ensure that its values are observed as well as to secure efficient, sound and lawful operation in line with specified targets.

### Management tools

The board and chief executive utilise such activities as strategic planning, budgeting and periodic financial and operational reporting as important tools in the management of the business. Follow-up and control are pursued in part through monthly operational and financial reporting on the development and status of the company and all its business areas. Balanced performance management is utilised as a tool in the business areas.

### Risk assessment

Risk assessment is a key part of Gassco's management processes, and is used throughout the business, including decision-making processes relating to infrastructure developments and when executing development projects. Risk assessment is pursued in each department and project, and aggregated up to provide an overview of Gassco's most important risks. Combined with associated risk-reducing and/or risk-eliminating measures, this overview forms part of the six-monthly review of the management system. Quantitative risk analyses are updated in connection with the operation of all facilities, which are assessed in relation to established acceptance criteria. Action lists with deadlines for implementation are drawn up for identified risks.

### Remuneration

The general meeting determines directors' fees, which are independent of the results achieved. None of the directors elected by the general meeting have separate assignments for the company in addition to their directorship. The auditor's fee is also determined by the general meeting. The board determines the remuneration of the chief executive, including any bonus payments, in accordance with guidelines set by the general meeting. The chief executive determines the remuneration of other members of the company management team in accordance with guidelines set by the board. Remuneration of directors and the chief executive is specified in Note 3 to the accounts.

### Performance pay

The board is responsible for overall assessment of the company's development in relation to specified targets. The company has a general performance contract, which gives all employees the opportunity to receive an annual bonus of up to five per cent of their basic pay, depending on the extent to which targets have been met. This ceiling will be raised to 7,5 per cent from 2008. Senior personnel have a personal performance contract which specifies stringent requirements for results with health, safety, the environment and quality, costs, regularity, product quality, customer satisfaction and the attainment of strategic targets. These employees can achieve a bonus of up to 15 per cent of their basic pay.

### Information and communication

The board of Gassco has established a communication strategy which ensures an open dialogue both in-house and externally, so that the company's employees and other stakeholders are well informed about its business activities.

Press releases and annual reports are posted to the company's website. Licenceweb is used as a means of communication with Gassled's owners, while Authorityweb is used with the authorities.

Shipper information is made available on the web-based GasViaGassled, Origo and Licenceweb systems. In addition, shippers receive information through the User Forum, in which they all participate.





Risk assessment is a key part of Gassco's management processes, and is used throughout the business, including decision-making processes relating to infrastructure developments and when executing development projects.



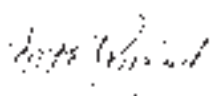
# Income statement

Amounts in NOK 1 000	Note	2007	2006
<b>Operating income and expenses</b>			
Total operating income	2	0	0
Total operating expenses	2, 3, 4	0	0
<b>Financial income and expenses</b>			
Other interest income		511	310
Net financial items		511	310
<b>PROFIT BEFORE TAX</b>			
Taxes on ordinary activities	8	(156)	(316)
Profit on ordinary activities		667	626
<b>Profit for the year</b>			
<b>Transfers:</b>			
Allocated to other equity		667	626
Total transfers		667	626

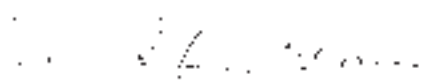
# Balance sheet

Amounts in NOK 1 000	Note	At 31 Dec 07	At 31 Dec 06
<b>ASSETS</b>			
<b>Intangible assets</b>			
Deferred taxes	8	52	0
<b>Total intangible assets</b>		<b>52</b>	0
<b>Tangible assets</b>			
Land, buildings and other property	4	30 109	18 496
Operating equipment and fixtures	4	34 956	34 162
<b>Total tangible assets</b>		<b>65 066</b>	52 658
<b>Other long-term receivables</b>			
Other receivables	3.7	49 304	39 306
<b>Total other long-term receivables</b>		<b>49 304</b>	39 306
<b>TOTAL FIXED ASSETS</b>		<b>114 421</b>	91 964
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Accounts receivable		95 488	20 220
Other receivables		44 438	27 736
<b>Total current receivables</b>		<b>139 925</b>	47 956
Bank deposits and cash	9	107 774	126 987
<b>TOTAL CURRENT ASSETS</b>		<b>247 699</b>	174 943
<b>TOTAL ASSETS</b>		<b>362 121</b>	266 907

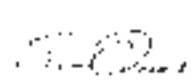
Emden, 5 March 2008



Brit Kristin Sæbø Rugland  
Chair



Trygve Refvem  
Deputy chair



Elisabeth Krokeide  
Director

Sverre Quale  
Director

Amounts in NOK 1 000	Note	At 31 Dec 07	At 31 Dec 06
<b>EQUITY AND LIABILITIES</b>			
<b>Paid-in capital</b>			
Share capital	5	10 000	10 000
<b>Total paid-in capital</b>		<b>10 000</b>	10 000
<b>Retained earnings</b>			
Other equity	6	3 573	2 906
<b>Total retained earnings</b>		<b>3 573</b>	2 906
<b>TOTAL EQUITY</b>		<b>13 573</b>	12 906
<b>LIABILITIES</b>			
<b>Provisions</b>			
Pension commitments	7	21 993	25 779
Deferred taxes	8	0	766
<b>Total provisions</b>		<b>21 993</b>	26 545
<b>Long-term liabilities</b>			
Long-term interest-bearing debt	10	5 625	6 875
<b>Total long-term liabilities</b>		<b>5 625</b>	6 875
<b>Current liabilities</b>			
Accounts payable		73 238	70 031
Tax payable	8	2 679	1 044
Tax and other withholdings	9	17 065	12 507
Other current liabilities		227 948	136 999
<b>Total current liabilities</b>		<b>320 930</b>	220 581
<b>TOTAL LIABILITIES</b>		<b>348 548</b>	254 001
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>362 121</b>	266 907

Mimi K Berdal

Director

Kjellaug Høie Jonassen

Director\*

Bjarne Aarset

Director\*

Brian D Bjordal

President and CEO

\* Worker director



# Cash flow statement

<i>Amounts in NOK 1 000</i>	<b>2007</b>	2006
<b><i>Cash from operational activities</i></b>		
<i>Profit on ordinary activities before tax</i>	<b>511</b>	310
<i>Depreciation</i>	<b>18 435</b>	13 468
<i>Changes in accounts receivable</i>	<b>(75 268)</b>	5 739
<i>Changes in other current receivables</i>	<b>(16 701)</b>	(6 314)
<i>Changes in long-term receivables</i>	<b>(9 998)</b>	(3 411)
<i>Changes in accounts payable</i>	<b>3 207</b>	30 712
<i>Changes in long-term commitments</i>	<b>(3 786)</b>	2 520
<i>Changes in other current liabilities</i>	<b>96 480</b>	36 107
<b><i>Net cash from operational activities</i></b>	<b>12 880</b>	79 131
 <b><i>Cash from investment activities</i></b>		
<i>Net additions/disposals fixed assets</i>	<b>(30 843)</b>	(15 339)
<b><i>Net cash from investment activities</i></b>	<b>(30 843)</b>	(15 339)
 <b><i>Cash from financial activities</i></b>		
<i>Repayment long-term debt</i>	<b>(1 250)</b>	(4 375)
<b><i>Net cash from financial activities</i></b>	<b>(1 250)</b>	(4 375)
 <b><i>Net change in cash and cash equivalents</i></b>	<b>(19 213)</b>	59 417
 <b><i>Cash and cash equivalents at 1 January</i></b>	<b>126 987</b>	67 570
<b><i>Cash and cash equivalents at 31 December</i></b>	<b>107 774</b>	126 987

# Notes

## Note 1. Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principle in Norway.

### Description of the company's business

Gassco AS was established on 14 May 2001 and is wholly owned by the Norwegian state. The company is responsible for transporting gas from the Norwegian continental shelf to Europe. Gassco's head office is located at Bygnes, and branch offices were established in Germany, Belgium and France during 2007.

### General rules for assessing and classifying assets and liabilities

Assets intended for permanent ownership or use have been classified as fixed assets. Other assets are classified as current assets. Accounts to be repaid within one year are classified as current assets. The same criteria are used for classification of current and long-term liabilities.

Fixed assets are carried at historical cost with a deduction for planned depreciation. If the real value of the fixed asset is lower than the book value, and this decline is not expected to be temporary, the asset is written down to fair value. Fixed assets with a limited economic life are depreciated on a straight line basis over their economic life.

Current assets are valued at the lower of historical cost and fair value.

Other long-term and current liabilities are carried at nominal value.

### Assets and liabilities in foreign currency

Accounts for the branches abroad are compiled in the currency primarily used in their operations (EUR).

Balance sheets are converted from foreign currencies to Norwegian kroner at the exchange rate prevailing on 31 December, while income statements are converted at the average exchange rate for 2007.

### Accounts receivable

Accounts receivable are posted at nominal value less provision for expected bad debts. Provision for bad

debts is made on the basis of an individual assessment of each account.

### Bank deposits and cash

Bank deposits and cash includes cash, bank deposits and other monetary instruments with a maturity shorter than three months from the date of their acquisition.

### Pensions

The presentation of pensions uses a linear earnings profile and expected final salary as the earnings basis. Payroll tax is included in the figures. Pension funds are posted at real value.

### Taxes

Tax is set against profit before tax, and consists of taxes payable (taxes on the year's directly taxable income) and changes in net deferred tax. Deferred tax and deferred tax benefit are presented net in the balance sheet.

## Note 2. The company's income and expenses

Gassco AS is the operator for pipeline and transport-related gas processing facilities. This responsibility involves system and administrative operations, technical activities and development/construction. As operator, Gassco represents the licensees externally. The company can undertake investments or make agreements in accordance with approved budgets and authorisations.

The licensees cover all Gassco's expenses pertaining to the operatorship, and the company calls in the necessary funds in advance. Gassco has an independent responsibility for losses only where these are incurred wilfully or through gross negligence. The company accordingly has no risk related to the operatorship.

Activities are deemed to be performed on behalf of the licensees at their risk, and Gassco accordingly has no earnings from these. As a result, costs relating to the operatorship do not appear in the Gassco AS accounts.

A net presentation of this kind accords with previous practice, in which the expenses of the operatorship were divided between the owners and in which the operator only included its own share of costs as an owner in its accounts.



## Notes

### Note 3. Payroll expenses, number of employees, remuneration, loans to employees, etc

Amounts in NOK 1 000

<b>Payroll costs</b>	<b>2007</b>	<b>2006</b>
Salaries	163 192	101 895
Payroll tax	29 302	17 868
Pension costs (see note 7)	24 459	16 227
Other benefits	13 981	11 018
<b>Total</b>	<b>230 933</b>	<b>147 007</b>
Work-years performed	298	149

<b>Remuneration to senior personnel</b>	<b>Salary/remuneration</b>	<b>Pension costs</b>	<b>Bonus and other remuneration</b>
President and CEO	2 150	734	388
Directors	1 017	0	0

The president and CEO is a member of the company's collective pension plan. This plan provides a pension of 66 per cent of final salary based on full earning of pension entitlement. The president and CEO also has an agreement which entitles him to retire at the age of 62 with the same pension provided by the collective plan. The pension cost is the net present value of the year's earned pension. The president and CEO also participates in the company's established bonus scheme.

#### Loans and security provided to management, shareholders, etc

	<b>Loan</b>	<b>Interest rate</b>	<b>Instalment plan</b>	<b>Security</b>
President and CEO	44	0	10 years	0

#### Loans and security provided to:

	<b>Loans</b>	<b>Security</b>
Employees	34 691	0

#### Auditor

NOK 749 700 was recorded in 2007 as fees to Deloitte Statautoriserte Revisorer AS for auditing Gassco and the licences operated by the company. NOK 348 180 was recorded as fees for other services. Deloitte Advokater DA, which collaborates with Deloitte Statautoriserte Revisorer AS, was paid NOK 25 240 for services related to VAT. NOK 1 514 795 was recorded in 2007 as fees for other services supplied by collaborating companies abroad. Of this amount, NOK 192 000 related to auditing of branches and terminals abroad, the remainder to VAT and local tax audits.

## Notes

### Note 4. Tangible fixed assets

<i>Amounts in NOK 1 000</i>	<b>Buildings and other real property</b>	<b>Operating equipment, fixtures, tools, etc</b>	<b>TOTAL</b>
Acquisition cost 1 Jan 07	20 163	76 795	96 957
<b>Additions 2007</b>	12 951	18 036	30 987
Disposals 2007	-	(4 296)	(4 296)
<b>Acquisition cost 31 Dec 07</b>	<b>33 113</b>	<b>90 535</b>	<b>123 648</b>
Accumulated depreciation 31 Dec 07	3 004	55 579	58 582
Book value 31 Dec 07	30 109	34 956	65 066
Depreciation in 2007	1 337	17 097	18 435
Economic lifetime	5-5 years	3, 5, 7, 8 and 10 years	
Depreciation plan	Linear/none	Linear	



### Note 5. Share capital and shareholder information

<b>The share capital in the company at 31 December 2007 consisted of the following:</b>			
	<b>Number</b>	<b>Nominal value</b>	<b>Book value</b>
Share capital	10 000	1 000	10 000 000
Ownership structure:		Shares	
The Norwegian government, represented by the Ministry of Petroleum and Energy		10 000	

### Note 6. Equity

<i>Amounts in NOK 1 000</i>	<b>Share capital</b>	<b>Other equity</b>	<b>Total equity</b>
Equity 1 Jan 07	10 000	2 906	12 906
Year's change in equity			
Profit for the year		667	
Equity 31 Dec 07	10 000	3 573	13 573



## Notes

### Note 7. Pension costs, funds and commitments

The licensees refund a pension cost to Gassco which currently constitutes 16.6 per cent of pensionable income. This rate is meant to reflect the fact that the pension responsibility vis-à-vis the operator is settled as the obligation arises. The rate is calculated in accordance with recommended guidelines for the calculation of pension costs prepared by the Norwegian Oil Industry Association (OLF).

For this reason, refunded pension costs from the licensees differ from premium payments and pension costs as specified by the Norwegian Accounting Standards. It is assumed that the company will not be charged pension costs over time, and that these will be covered in their entirety by the licensees at the current rate. By agreement, this refund can be varied in an individual year. It corresponded in 2007 to Gassco's pension cost.

The company posts the pension commitment at 31 December 2007 to the balance sheet, with the corresponding receivable as a counter item. Charging licensees over and above the premium paid changes the receivable. Net changes in pension obligations are posted as a receivable and as a pension obligation.



## Notes

The table below shows pension cost plus funds and commitment obligations in accordance with the Norwegian Accounting Standards for Pensions.

<i>Amounts in NOK 1 000</i>	<b>2007</b>
Current value of year's pension earnings	14 556
Interest cost of pension benefit	6 752
Yield on pension funds	(5 507)
Administration cost	303
Amortisation of loss/(gain)	0
Actuarial loss	683
<b>Net pension cost</b>	<b>16 786</b>



	<b>Secured (group)</b>	<b>Unsecured (contractual pension)</b>	<b>Other unsecured</b>	<b>Total</b>
Earned pension commitments	153 313	12 039	30 571	195 924
Pension funds (at market value)	(101 003)	0	(15 862)	(116 865)
Unrecorded effect of estimate changes	(51 951)	(4 720)	(6 153)	(62 824)
<b>Net pension commitments</b>	<b>359</b>	<b>7 319</b>	<b>8 557</b>	<b>16 235</b>

### **Economic assumptions:**

Discount rate	4.70%
Expected pension increase/adjustment of NI base rate	4.25%
Expected yield on funds	5.75%
Expected pay regulation	4.50%

Actuarial assumptions for demographic factors and natural wastage are based on assumptions normally applied in the insurance industry.

The pension plan above has 185 members and covers all employees in Norway. Pension commitments at the branches in Germany, Belgium and France are settled consecutively.

## Notes

### Note 8. Income taxes

Amounts in NOK 1 000

<b>Taxes for the year are as follows:</b>	<b>2007</b>	2006
Tax payable	<b>2 679</b>	1 044
Under-allocation for tax payable earlier years	<b>0</b>	1 370
Refunded tax	<b>(2 018)</b>	(3 867)
Changes in deferred tax	<b>(817)</b>	1 137
Tax on ordinary profit	<b>(156)</b>	(316)

<b>Tax payable:</b>	<b>2007</b>	2006
Tax payable in balance sheet	<b>2 679</b>	1 044

<b>Reconciliation from nominal to effective tax rate:</b>	<b>2007</b>	2006
Profit for the year before tax	511	310
Calculated income tax at nominal tax rate (28%)	<b>143</b>	87
Fiscal effect of the following items:		
Tax effect on net refund under incentive scheme for R&D (Skattefunn)	<b>(293)</b>	(403)
Non-deductible cost, part of pension cost	<b>2 018</b>	3 867
Refunded tax	<b>(2 018)</b>	(3 867)
Non-taxable income, interest on tax receivable	<b>(6)</b>	1
Tax	<b>(156)</b>	(316)
Effective tax rate	<b>(30.6%)</b>	(101.9%)

#### **Specification of temporary differences and losses for carrying forward, and net tax effect of these:**

	2007		2006	
	Benefit	Obligation	Benefit	Obligation
Operating equipment	<b>184</b>	<b>0</b>	0	2 734
Losses for carrying forward	<b>0</b>	<b>0</b>	0	0
Total	<b>184</b>	<b>0</b>	0	2 734
Deferred tax benefit/obligation	<b>52</b>	<b>0</b>	0	766
Deferred tax benefit unrecorded in balance sheet	<b>0</b>	<b>0</b>	0	0
Net deferred tax benefit/obligation in the balance sheet	<b>52</b>	<b>0</b>	0	766



## Notes

### Note 9. Bank deposits

Bank deposits and cash include NOK 7 444 171 in tied tax withholdings.

### Note 10. Guarantees and long-term debt

The company has furnished a bank guarantee of EUR 500 000 to the Belgian authorities relating to Belgian VAT and a statutory bank guarantee of EUR 2 000 000 related to ATZ pension in Germany.

#### Debts falling due more than five years from the end of the financial year total:

<i>Amounts in NOK 1 000</i>	<i>2007</i>	<i>2006</i>
<i>Bank loan</i>	<i>625</i>	<i>1 563</i>





**Deloitte.**

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Gassco AS

**AUDITOR'S REPORT FOR 2007**

We have audited the annual financial statements of the Gassco AS as of 31 December 2007, showing a profit of NOK 666.990,-. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of December 31, 2007, and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit, is consistent with the financial statements and complies with the law and regulations.

Haugesund, March 5, 2008  
Deloitte AS



Knut Terje Fagerland  
State Authorised Public Accountant (Norway)

Audit • Tax & Legal • Consulting • Financial Advisory.

Member of  
Deloitte Touche Tohmatsu

Org.no: 980 211 282



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