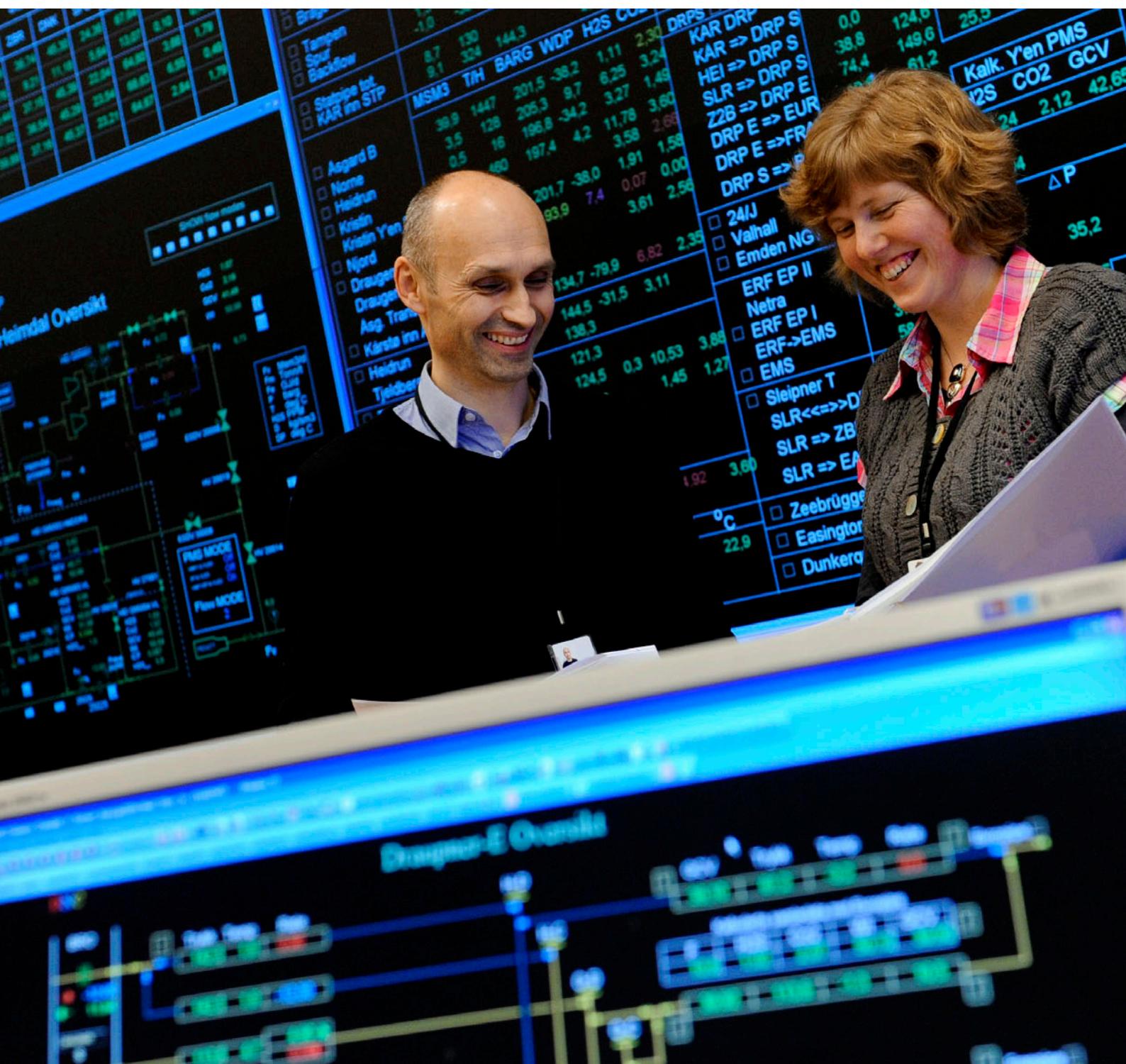


Annual report 2009



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GASSCO ANNUAL REPORT
2009

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History never repeats itself

The view that history never truly repeats itself was confirmed in 2009. At the same time, the year provided a sharp reminder of how difficult it is to understand what lies ahead.

We live in very dynamic times. Today's analyses and assessments have already passed into history before we are able to detect anything more than a diffuse picture of the future.

The financial crises calmed down, but its repercussions in the real economy can still be felt. Climate challenges cast a constant shadow over most discussions. At the same time, the consequences of solving this problem are regarded as almost unrealistic in a global context. We are challenged by human-induced impacts, but the recipe on every continent seems to be more growth and greater prosperity. In other words, the importance of reflecting over the challenges we face is as great as it is urgent, particularly on the energy side.

In such circumstances, it is important for me to stick with something constant and fundamental – safe and efficient operation of the integrated transport system for Norwegian gas. For us in Gassco, this is about delivering in line with the expectations of the transport system's users while responding and adapting to changes in the industry of which we are part. In this picture, it is also important that we actively seek out the opportunities which still exist for optimisation and enhanced value creation – all based on a fundamental view of the significance of Norwegian gas for European security of supply.

I am satisfied with the results we achieved in our area of operations during 2009. Certain incidents

were negative, but I would nevertheless maintain that we have delivered good results in relation to a high level of ambition. We also achieved very good outcomes for health, safety and the environment – actually among the best ever. At the same time, we experienced individual incidents which were extremely serious. This confirms my view that the only thing which counts is enduring results over time, achieved through continuous attention to and vigilance with activities and behaviour which pose the biggest risk.

The financial crisis and its repercussions were actualised for us by the suspension of the Skanled infrastructure project in the early summer. A picture is also emerging in our planning of future transport capacity, where new field developments are being delayed or put on ice. The Norwegian continental shelf still has a long-term perspective. But it is nevertheless a reality that, despite substantial exploration activity, no large discoveries have been made in recent years. As a result, the development trend on the NCS no longer provides the same basis for confidence in continued growth that it did a few years ago.

At the same time, the European gas market and supply picture have become more complex and unpredictable than before. The shifts are substantial, from uncertainty and a crisis mood related to Russian deliveries via Ukraine to the growth in liquefied natural gas imports, the impact of unconventional shale gas on the market and uncertainty over gas prices. For players who are to invest in the development of fairly marginal gas fields, this unpredictability represents a substantial element of risk. ▶▶



A handwritten signature in dark ink that reads "Brian D Bjordal". The signature is fluid and cursive.

Brian D Bjordal
President and CEO

“It is important for me to stick with something constant and fundamental – safe and efficient operation of the integrated transport system for Norwegian gas.”

History never repeats itself

Our ambition in Gassco is to play an active role in the further development of the NCS together with the rest of the industry. This work is both challenging and exciting. I would highlight trends in the Norwegian Sea as a case in point. The development of new fields and associated infrastructure in this part of the NCS will be very important for the operation of the big land-based plants which currently process about 70 per cent of all Norway's gas exports. The future feedstock base for these facilities and the rest of the transport system will be among the most important issues for us to analyse and understand in the years to come.

The player picture on the NCS is also changing. We had 28 qualified users of the gas transport system at 31 December – a substantial increase from a few years ago. We also see that changes could occur in the ownership structure of the Gassled joint venture. That has been paralleled by new assignments from the government. At the same time, it has been clarified that our mandate for continued development of the gas infrastructure extends to ship-based transport solutions as well, so that all opportunities and constraints can be creatively identified.

New arenas have also been established in relation to users of the transport system in order to ensure that we maximise overall asset value through decisions which safeguard the diversity of interests

involved. For us, these new user arenas also provide an important incentive for seeking balanced further development within an integrated perspective.

To conclude, I would point to climate change as an area where we, like the other companies on the NCS, face demanding challenges. We fully acknowledge that the world is confronted by a global climate challenge. As the operator for one of Norway's largest point sources of greenhouse gas emissions, we also acknowledge our responsibility for part of the problem. For that reason, we want to participate actively in efforts to find the answers which can provide the right solutions in the longer term by applying our expertise in relation to carbon transport and storage. At the same time, I see with satisfaction that a growing number of people recognise that natural gas, as the most climate-friendly of the fossil fuels, is also part of the solution for the foreseeable future.

The future may seem disturbing, but pessimism must not be allowed to prevail. From the dawn of time, humanity has displayed a formidable ability to respond to fundamental challenges with creative solutions. But our ability and willingness to act also calls for expertise and attitudes which reward talent and creativity. We all face challenges in our everyday lives, both through the organisations of which we are part and at the interfaces where we interact with others.

“Our ambition in Gassco is to play an active role in the further development of the NCS together with the rest of the industry.”





Directors' report 2009

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 processing 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 has branches in Germany, Belgium and France which are responsible for technical operation of the continental receiving terminals.

Framework conditions for Gassco, including the relationship between it and the owners of the gas transport system, are determined by the government. The company's primary roles can furthermore be defined as the exercise of special and normal operator responsibilities. The special operatorship refers to the performance of duties allocated to Gassco pursuant to the Norwegian Petroleum Activities Act and associated regulations. It relates to system operation, capacity administration and infrastructure development. The normal operatorship refers to the technical operation of plants and installations pursuant to the Norwegian Petroleum Act's provisions on operator responsibility. These duties are also regulated in the operator agreement with the Gassled joint venture, which owns the infrastructure for transporting gas from the NCS.

Gassco has entered into agreements on the purchase of operating services at the processing plants in Norway and the receiving terminals in the UK.

Gassco does not make a profit or a loss from its operations. This means that its economic and financial risks are very limited. Consequently, the annual accounts, balance sheet and liquidity are not specifically discussed.

Gassco's management system and associated control routines have been constructed on the basis of the internal control principle. This principle ensures efficient, acceptable and legal operation in accordance with specified goals. Management and control are exercised in accordance with established

work processes in the company. The management handbook describes the company's corporate governance. Risk assessments are conducted and the riskiest activities at any given time identified in order to ensure safe operation of the business. To secure control and monitoring of the management system with associated processes, particular attention is paid to control mechanisms applied along three dimensions:

- self-regulation in the line organisation
- independent checks conducted by an impartial party
- independent system audits conducted by an impartial party.

Organisation

Gassco had 323 permanent employees at 31 December 2009, including 124 at the continental receiving terminals. Two employees completed personal development programmes in 2009 which gave formal credits in the Norwegian educational system. These employees are upgrading their qualifications – from engineer to graduate engineer, for instance. Gassco currently has one office trainee in Norway and five apprentice process technicians in Germany.

The company's job advertisements emphasise its desire for a good gender balance, age spread and diversity in the workforce. Candidates with different ethnic backgrounds are also urged to apply for vacancies. Qualified candidates from a minority background will always be called for interview.

Women account for 23 per cent of Gassco's workforce. 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.

Gassco uses a number of systems and tools to ensure systematic employee, management and organisational development. The company prepares an annual organisational development plan, which provides an overall presentation of the measures to be implemented during the coming year. Gassco has ensured good physical access to its buildings.



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

Gassco's philosophy is zero harm to people, the environment and material assets. This view is based on a conviction that all harm can be prevented by systematic and purposeful HSE&Q work. No incidents in Gassco's operator area resulted in loss of life during 2009.

The company's management system covers such aspects as reporting, investigation and follow-up of incidents and non-conformities. 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. The personal injury frequency is an important performance indicator for Gassco. It came to 4.2 for the company's operator area in 2009, a marked decline from 6.7 the year before. One injury was classified as serious, while the remainder were of a less serious nature. The frequency of critical incidents decreased markedly from 2008 to 2009. This trend is very positive. Of a total of four critical incidents in 2009, one was a personal injury and another involved a gas leak, while the others related

to dropped objects. Three fires were registered by Gassco in its operator area during 2009. None were classified as very critical. Gassco will continue to devote attention to achieving improvements in this area, including among companies which perform operations on its behalf. Special attention is paid to all conditions with the potential for causing a major accident.

An important part of Gassco's management system is its emergency response organisation. The latter held and participated in a number of exercises in 2009. These were conducted in cooperation either with companies responsible for technical operation of facilities on Gassco's behalf or with employees at its continental receiving terminals.

The Norwegian system for emission allowances was integrated in March 2009 with the common European allowance trading system, and the Efta Surveillance Authority (ESA) approved Norway's plan for allocating allowances. Gassco was awarded carbon emission allowances free of charge for the Kårstø and Kollsnes processing plants in 2008-2012. These correspond to annual carbon emissions of 977 088 and 64 650 tonnes for Kårstø and Kollsnes respectively.

Health and safety results	Results 2009	Results 2008
Deaths	0	0
Total personal injuries	24	40
Lost-time injuries (included in personal injuries)	7	19
Fires	3	5
Gas leaks	1	4
Critical incidents	4	12
Emissions/discharges in excess of licence limits	1	0

Emissions/discharges to the natural environment		2009	2008
To the air	Nitrogen oxides	902 tonnes	940 tonnes
	Carbon dioxide	1 367 kilotonnes	1 460 kilotonnes
	Safety flaring	17.3 kilotonnes	34 kilotonnes
To water	Oil	394 kilograms	271 kilograms
	Phenol	77 kilograms	65 kilograms
	TOC	5 421 kilograms	8 028 kilograms
To soil	Oil	4 126 kilograms	None

Gassco purchased 150 000 tonnes of carbon emission allowances in 2009.

Through its membership of the Industrial Fund for Nitrogen Oxides from 2008, Gassco undertook to explore opportunities for measures to reduce nitrogen oxide emissions in the company. On the basis of an application from Gassco, the fund approved in November 2009 a grant of NOK 100 per kilogram of emissions reduced in the process management system for gas production and in the development of new burners for the Kårstø processing plant. This support has a ceiling of NOK 1 240 000.

The working environment in Gassco is good. This was confirmed by an organisational survey conducted in 2009. The company's target of an overall sickness absence below three per cent for 2009 was achieved.

Overall sickness absence was 2.51 per cent for the whole of Gassled (including providers of technical services) and 2.17 per cent for Gassco employees at Bygnes.

System operation

Despite a decline in European gas consumption during 2009, deliveries from the NCS increased from

94.6 billion standard cubic metres (scm) in 2008 to 96.6 billion. In addition, 1.8 billion scm were delivered for injection into fields on the NCS, while 1.4 billion scm were supplied for domestic consumption.

Through extensive blending of flows, Gassco delivered virtually 100 per cent of the gas volumes to the agreed quality. When part of the transport system dropped out, gas was lifted from other fields/terminals and guided into the system. This meant that total delivery availability came to 99.6 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 shutdowns. No incidents related to coordination occurred in 2009 which had any significance for gas transport. A total of 673 ship calls were recorded at Kårstø during the year, loading 7.36 million tonnes of liquids. In addition, 1.3 million tonnes of liquids produced at Kollsnes were delivered via the Vestprosess pipeline to Mongstad.

Gas deliveries began in 2009 from Yttergryta, Tyrihans and Alve. These fields are now incorporated in Gassco's systems and form part of operational gas transport. A total of 50 producing fields are currently tied into the gas transport network.



Capacity administration

Two capacity booking rounds were held in Gassled during 2009. A good share of capacity for 2020-2028 was sold in the April round.

A new booking system replaced the earlier solution in December. The user interface has been changed and much new functionality introduced.

One user in 2009 unsuccessfully sought to buy capacity in the secondary market pursuant to section 64, sub-section 2 of the petroleum regulations. This issue was appealed to the Ministry of Petroleum and Energy, which ordered four users in December to make capacity available in the secondary market under this provision.

A review of the access regime was launched during the autumn with all the users. This process will assess whether the time has come to amend aspects of the regime. The aim is to complete the work during the first half of 2010.

Operation and development of installations

High availability for production in the transport system is a key consideration, and is achieved in part through good day-to-day operation and maintenance.

Plant availability was 97.85 per cent at the Kårstø facility and 92.75 per cent at Kollsnes. These high figures partly reflect the ability to execute planned maintenance when production restrictions have arisen on the fields.

Gassco is currently implementing a number of major projects at its processing plants. Some will continue over the next few years, while others were completed in 2009. The Kårstø expansion project (KEP2010) was sanctioned in 2007, and comprises a number of

sub-projects which are mainly intended to enhance the robustness of the processing plant. The double inlet crossover (Dixo) project was sanctioned in 2009 to boost carbon extraction. It and the NGL metering project, which involves replacing the fiscal metering systems for liquids, have been organised jointly with KEP2010. The total investment estimate is NOK 7.5 billion, and progress with the projects was regarded as good at 31 December.

The Kollsnes projects (KOP) were sanctioned for this processing plant in 2009. They are intended to enhance the robustness of the facility and implement the tie-in of a new pipeline from Troll. The investment estimate is NOK 2.7 billion.

A technical availability of 98.64 per cent was achieved by the transport network, which broke down into 97.27 per cent for platforms and 100 per cent for pipelines. It was resolved in 2009 to continue the project to install a bypass in the Norpipe line around the B11 compressor platform. This decision was prompted by the fact that B11 would have faced substantial upgrading costs, while capacity in Norpipe is sufficient without the use of the platform's compressors. A final investment decision on the project has been planned for the autumn of 2010.

The receiving terminals in continental Europe and the UK achieved an overall technical availability of 99.96 per cent. It was resolved in 2009 that Gassco will take over direct operation of the Langeled receiving terminal at Easington in the UK from 2011. Work was also pursued in 2009 on technical concept studies for maturing a project to increase robustness, which relates primarily to the Norsesea gas terminal (NGT) in Emden. This has been operational since 1977.



Gassco fulfilled the ambitions in the Gassled cost-saving programme of trimming NOK 500 million per year from operating expenditures by 2010. That corresponds to 20 per cent of modifiable operating costs at the time when the programme was adopted in 2004. This improvement programme represented a challenging process, which was implemented without consequences for regularity or HSE&Q in the transport system. The company has established a new improvement programme, with attention focused on HSE, regularity and costs.

Infrastructure development

Coherent further development of the gas infrastructure will be an important instrument for securing effective resource management on the NCS. Gassco prepares an annual transport plan which includes assessments of future requirements for developing transport capacity. These evaluations are based on analyses of user needs.

The 2009 transport plan shows that utilisation of the gas infrastructure will be high over coming years. According to current plans, a number of new fields are likely to be brought on stream from 2012. Gas volumes from these new fields would come in addition to deliveries from existing fields, which could require a strengthening of the existing gas infrastructure and/or increased transport capacity to new or existing markets from 2016.

A brief summary of the infrastructure development projects pursued by Gassco in 2009 is provided below.

- Studies at Kårstø related to the development of the Gudrun and Dagny/Ermintrude fields. These have been conducted to assess modifications required to receive and stabilise light oil and condensate from these fields from 2013 and 2015.

- Studies of export solutions for new gas in the Norwegian Sea. These concentrate on transport options for the Luva and Onyx fields, with a potential start-up in 2016. Other, less mature gas in the area is also covered. The main emphasis is on the use of existing gas infrastructure.
- Studies of the need to reinforce the western part of the gas infrastructure (the GIR project). These will be closely related to the assessments made in connection with the Norwegian Sea.
- Studies related to increased carbon dioxide and hydrogen sulphide content in rich gas reaching the Kårstø processing plant. The Dixo project, which involves new piping at Kårstø for increased carbon extraction, was sanctioned in the first quarter of 2009 with start-up in 2011. The hydrogen sulphide project includes assessments of operational measures as well the installation of new filter solutions to handle an increased hydrogen sulphide content in the gas. Current plans call for an investment decision in 2011 and start-up in 2013.

It was resolved in April 2009 to suspend the Skanled project, which aimed to establish a new pipeline system for transporting gas from Kårstø to eastern Norway, western Sweden and Jutland in Denmark. The background to the termination was increased commercial risk as a result of the financial crisis and uncertainties about demand for petrochemical products and gas.

Directors' report 2009

Gassco again pursued a number of activities commissioned directly by the Ministry of Petroleum and Energy (MPE) in 2009. The latter specified in a letter dated October 2009 that the assessments made by Gassco in relation to the integrated development of the gas infrastructure on the NCS also cover the evaluation of transport solutions based on gas liquefaction for transport by ship.

On behalf of the MPE, Gassco established an arena for information exchange between industrial upstream and downstream players related to gas-based industry.

Carbon value chain

Gassco is responsible for maturing carbon transport chains from planned full-scale capture plants at Kårstø and Mongstad. Preliminary design of a 12-inch transport pipeline from Kårstø to the Utsira formation on the NCS was carried out in 2009. This work has also embraced research and development in areas where the industry generally lacks knowledge related to this part of the carbon value chain. The procurement process for a carbon pipeline has been halted because a need was identified to assess the operating pattern of the gas-fired power station owned by Naturkraft AS at Kårstø. A possible continuation must be viewed in connection with the results of evaluations related to this power station.

A study which identified solutions for integrating the Kårstø processing plant and the Naturkraft power station was submitted by Gassco to the MPE in March 2009. The company was requested in September to continue work related to a possible integration. This will involve relevant players at Kårstø, and embrace technical, environmental, safety, commercial and contractual conditions.

Preparatory activities have also been carried out for further maturing of a carbon pipeline project

from Mongstad, so that this work can continue in accordance with the overall plans for the carbon capture plant at that location.

New user fora

The MPE issued a new regulation (petroleum regulation 66A) on 1 January 2009 which clarified Gassco's role in relation to the continued development of the gas transport system. The MPE noted that user influence was to be strengthened and that the existing user forum should be further developed. After consultation with the users, Gassco established four new user fora on 1 July 2009. All have established mandates and started work.

Research and development

A strategy was adopted in 2009 for Gassco's research and development (R&D) programme in 2010-2015. This represents a continuation and further development of the programme pursued in 2003-2009.

The following areas have been selected for the 2010-2015 period to support Gassco's core business, commercial goals and strategic targets.

- Pipelines: secure pipeline integrity and prevent major accidents.
- Offshore installations and land-based plants: protect facilities against major accidents, secure the desired regularity and develop methods for optimum maintenance.
- Capacity and gas quality: ensure optimum production and the correct gas quality.

Attention in each of these areas will be concentrated on projects which support the safety and environmental aspects.

Gassco devoted about NOK 81 million to its R&D programme in 2009. Some nine work-years were devoted to implementing the programme.

Directors' report 2009

The most important projects in 2009 were:

- a model for optimising capacity utilisation at Kårstø (3PM)
- upgrading the transport model system for Gassco's control room (New PMS)
- leak monitoring to learn more about gas diffusion in the event of leaks
- development of new technology for condition monitoring of pipelines (ART – gas pipe scanner prototype)
- development of new burner technology for boilers at Kårstø (NBD)
- ageing programme to safeguard the integrity and robustness of the facilities
- project activities to help reduce and manage carbon emissions.

The PMS, 3PM and NBD projects received a total of NOK 17 million in supplementary funding from Gassled.

Share capital and shareholders

The company's share capital at 31 December 2009 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 505 448, which will be transferred to other equity.

Pursuant to 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

Work on the transport plan during 2009 has indicated less need for new gas infrastructure over

the next few years. The most important reasons for this are the postponement of field development projects, downgraded reserves in some existing fields and fewer new discoveries. The gas in some of the new discoveries has a high carbon dioxide content, which will have to be dealt with. Some of the field developments currently under way could meet their capacity requirements through the existing gas infrastructure. However, two projects in the Norwegian Sea – Luva and Onyx – may need additional capacity. Gassco is working actively with the field operators to identify solutions in an integrated perspective.

Substantial gas resources remain on the NCS. The Norwegian Petroleum Directorate estimated in 2009 that proven reserves totalled 2 050 billion scm, with possible total gas resources coming to about 6 100 billion scm. Of the latter, 23,5 per cent has already been produced. Exploration activity remains high and the companies expect to make additional discoveries.

Viewed overall, work on the transport plan shows that existing gas transport and processing capacity could be a challenge in the 2016-2020 period. After that, spare capacity will grow unless additional discoveries are made and new field developments matured.


The oldest parts of the existing gas infrastructure have been in operation for more than 30 years. Pipeline condition is nevertheless considered to be good. However, Gassco is paying great attention to increasing the robustness of existing infrastructure. Because the gas infrastructure is ageing, boosting robustness will also occupy a key place in coming years. Gassco will pay constant attention to safe and effective utilisation of the gas infrastructure in order to position the NCS as a reliable supplier of gas to the European market.

Directors' report 2009

Substantial attention is being paid to the need for carbon capture, transport and storage as one of many measures for overcoming the climate challenges. Gassco participates actively in efforts to develop systems which can reduce carbon emissions.


The company will play a substantial role in the continued development of Norway's gas infrastructure, and pays constant attention to having the right expertise for discharging the multitude of tasks embraced by its operator area.


Oslo, 22 March 2010


Brit Kristin Sæbø Rugland
Chair



Trygve Refvem
Deputy chair


Elisabeth Krokeide
Director


Sverre Quale
Director


Mimi K Berdal
Director


Leif Idar Langelandsvik
Director *


Marianne Hirzel
Director *


Asbjørn Eik-Nes
Director *


Brian D Bjordal
President and CEO

*Elected by the employees

Board of directors 2009



Brit Kristin Sæbø Rugland

Chair (born 1958). She is president of Rugland Investment and Stavanger Investing AS. Previously president and CEO, Navion, vice president shipping and maritime technology, Statoil, and vice president corporate control, Statoil. Sits on the main board of the Bank of Norway and holds a number of industrial directorships. Ms Rugland has been chair of Gassco since 2001.



Trygve Refvem

Deputy chair (born 1947). He works 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. Mr Refvem has been deputy chair since 2001.



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 advisor, Sparebanken Nor, and controller, Moelven Industrier ASA. Holds a number of industrial directorships. Ms Krokeide has been a director since 2001.



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 in listed and private companies covering various sectors. Ms Berdal has been a director since 2007.



Sverre Quale

Director (born 1956). He is 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. Mr Quale has been a director since 2007.



Leif Idar Langelandsvik

Worker director (born 1975). Elected by and from among the employees. He is a senior engineer and former head of the Gassco branch of the Norwegian Society of Chartered Technical and Scientific Professionals (Tekna). Mr Langelandsvik has been a worker director since 2008.



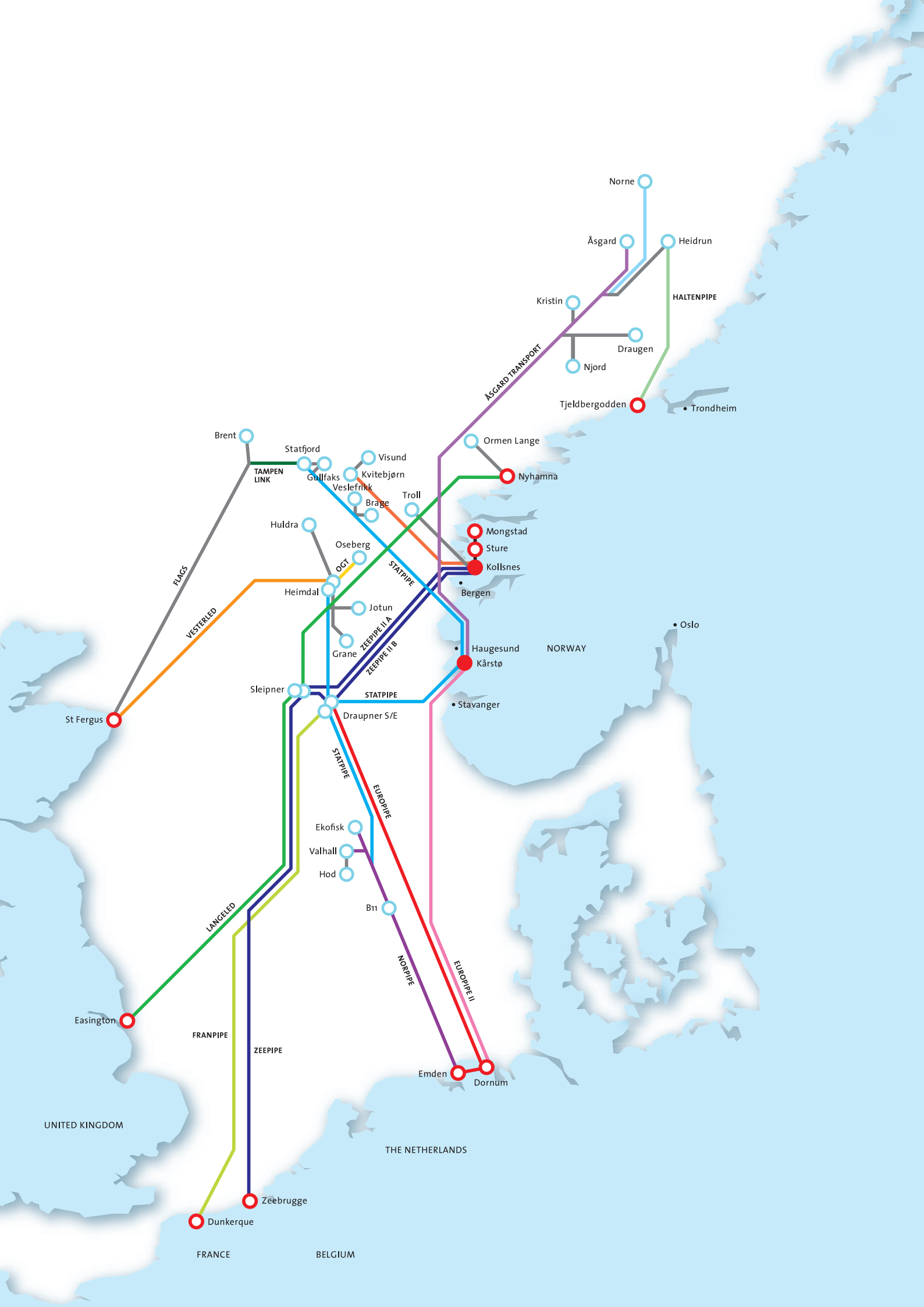
Marianne Hirzel

Worker director (born 1969). Elected by and from among the employees. She is a document controller and head of the Gassco branch of the Industry Energy (IE). Ms Hirzel has been a worker director since 2008.



Asbjørn Eik-Nes

Worker director (born 1952). Elected by and from among the employees. He is a senior engineer and head of the Gassco branch of the Norwegian Society of Engineers (Nito). Mr Eik-Nes has been a worker director since 2008. He also served on the board in 2004-05.



Gassco's activities

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

GAS TRANSPORT	2009	2008
Regularity (%)	99.60	99.78
Quality (%)	99.98	100.00
Gas delivered to receiving terminals in Europe (billion scm)	96.56	94.60
Highest delivery per day (million scm)	352.20	331.77
Average gross calorific value (kWh/scm)	11.11	11.16
Total volume other products supplied by gas transport system (million tonnes)	8.66	8.60
Ship calls at Kårstø	673	699

FINANCIAL FIGURES	2009	2008
(amounts in NOK million)		
Gross tariffs	29 262	26 616
Operating cost	4 938	5 205
Operating investments	1 077	790
Major projects	2 445	1 431
* KEP2010 - Kårstø	1 777	1 304
* NGL metering upgrade	208	55
* Kollsnes projects (KOP)	212	24
* Double inlet crossover Kårstø (Dixo) (incl CO ₂ share)	248	48



Corporate governance

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, aspects relating to equity and dividend, free transferability of the company's shares, the general meeting and a nomination committee are not relevant and are accordingly not covered below.

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.

Gassco's business

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. The owners and users of the gas transport systems are represented by many of the big global players in the oil and gas industry.

Overall goals for Gassco's operations are that:

- the transport and processing facilities will serve all gas producers
- it will contribute to an efficient utilisation of resources on the NCS
- it will be neutral in relation to all users of the transport system
- it will play a central role in the further development of the transport system.

The gas transport systems will be operated in such a way that users secure the transport of the agreed quantity of gas at all times, at the right quality and in accordance with agreed contractual terms. These services are delivered to all users in a neutral and commercial manner. Gassco pursues its operations in a safe and cost-effective manner. Gassco regards its

employees as the key to value creation and further development of the company. Constant expertise development is one of its critical activities.

Management structure and governing bodies

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/users, 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/ sponsoring groups 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

The general meeting is the company's 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 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 section for gas and infrastructure at the Ministry of Petroleum and Energy is responsible for day-to-day supervision of Gassco.

Corporate governance

Corporate assembly

Pursuant to the Norwegian Act on Limited Liability Companies, a corporate assembly must be elected for companies with more than 200 employees. However, agreement has been reached with the employees that the company should not have such a body. Instead, the employees have elected an additional worker director.

Board of directors

The Gassco board comprises eight directors, including five elected by the general meeting and three 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 authority matrix.

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 to 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. In addition to attending board meetings where the accounts are considered, the auditor has an annual meeting with the board. The board has established a compensation committee 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.

Following an assessment, the board has concluded that it does not need to appoint an audit committee. The company is subject to greater independent scrutiny and system audits by impartial parties than is usual for a joint stock company. Reports and feedback from such audits are communicated to the board on a continuous basis.

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 primary roles can be divided into two components, the normal and special operatorships.

The special operatorship covers the exercise of public administrative duties assigned to Gassco pursuant to the Norwegian Petroleum Activities Act and the petroleum regulations. These duties are subject to some extent to the Public Administration Act and the Freedom of Information Act. Gassled and other owners have no right to issue instructions in respect of these duties.

The special operatorship relates to system operation, capacity administration and infrastructure development.

System operation covers management of the upstream gas transport network (dispatching, user allocation, metering, supervision and so forth), including maintenance planning pursuant to section



4.9 of the Petroleum Activities Act and section 66 of the petroleum regulations.

Capacity administration involves the determination of physical capacity in the pipeline network and the allocation of transport capacity in the pipeline systems, pursuant to chapter 9 of the petroleum regulations. The allocation of transport capacity involves entering into transport contracts on behalf of Gassled.

Infrastructure development concerns the exercise of public administrative duties pursuant to section 66A of the petroleum regulations. In this context, Gassco works partly on the basis of funds paid by the users through the tariffs, pursuant to section 4 (vi) of the tariff regulations, and partly on the basis of financing from an investor group which wishes to have an infrastructure project investigated in more detail.

The following user fora were established in 2009:

- the User Advisory Board
- the NCS Gas Infrastructure Forum
- the Operating Forum (system operation and capacity administration)
- the NGL Forum.

These fora have been established to look after user interests and will deal with such matters as work programmes and budgets related to the exercise of the special operatorship.

The normal operatorship relates to management of facilities and the exercise of the operator role in accordance with statutory regulations and contractual agreements. An important part of this work is to ensure that activities are conducted in

a manner which safeguards health, safety and the environment. Gassco's normal operatorship relates to the operation of the Gassled and Haltenpipe gas transport systems.

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.

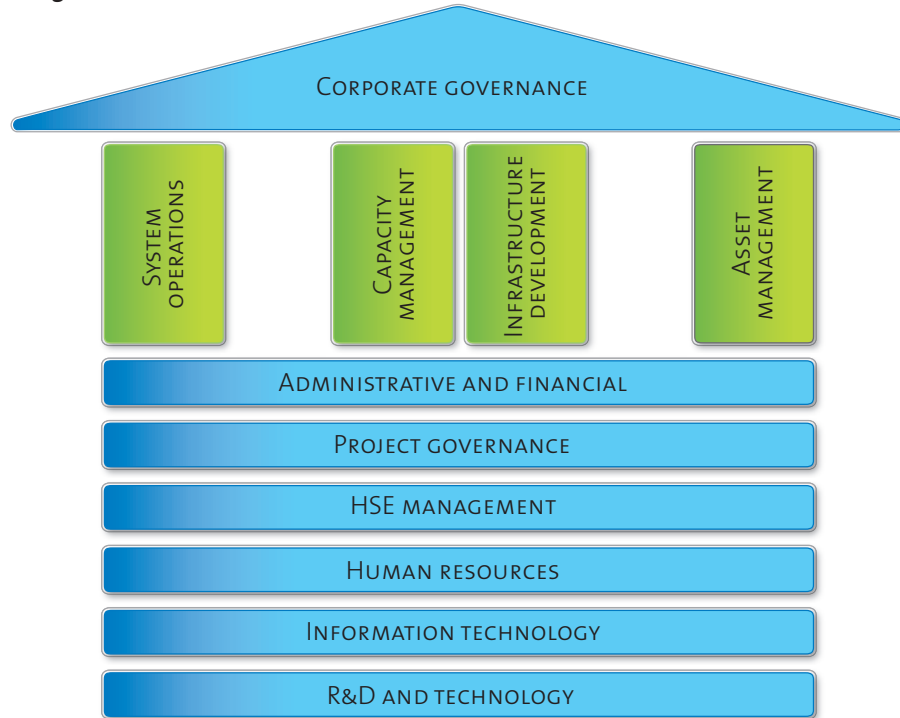
Management system

Management and control are exercised through various processes which involve one or more of the company's governing bodies. The shareholder's management and control of the business is exercised through annual and extraordinary general meetings. The board ensures that the company is run in accordance with its strategy and objectives through board meetings and periodic reporting from the company. The management system is reviewed annually by the board. Gassco's executive management regularly checks that the business is being conducted in accordance with its strategy. Relevant government agencies as well as users and owners of the gas transport system also conduct regular audits and supervision of Gassco's operatorship, associated activities and management system. The chief executive is responsible for ensuring that the executive management reviews the management system twice a year.

The management manual, including the subordinate procedures, describes the company's corporate governance. Gassco has developed a management model which brings together and systematises all its processes. The company's duties and roles are derived from the overall goals, principles and frame documents governing Gassco's operations.

Corporate governance

Management model:



This model has a topmost level which brings together processes related to corporate governance in the company. The next level defines four groups of processes which describe Gassco's duties related to its special and normal operatorships. Finally, the model defines a total of six groups of staff and support processes

The topmost level includes processes for regulating Gassco's work in relation to the owner (the government) and the board. Corporate governance embraces such processes as establishing a management handbook, strategy, business plan and key performance indicators (KPIs), budgeting and decision-making processes, as well as important processes related to quality assurance. The latter include risk management, control mechanisms such as auditing and self-regulation, consistency checks, customer surveys and managing non-conformity.

An authority matrix has been established, along with a decision matrix which describes the decision-making processes to be observed for important issues, with whom the final decision rests, and the source of the decision-maker's authority.

Terms of reference for the various joint ventures and their committees have been established and

approved by the owners. A special verification process for projects has been established and approved by Gassled.

Mandates for the new user fora have been established on the basis of conversations with and comments from the companies involved. They have been approved by the Ministry of Petroleum and Energy, which has asked Gassco to evaluate within one year whether established mandates and fora function as intended. None of the new fora has any decision-making authority.

Primary responsibility for Gassco's supervisory role rests with the HSE&Q department, which draws up annual supervision plans. This unit conducts internal audits as well as auditing the work of the TSPs. These audits are supplemented by other types of supervision/verification carried out by units and projects in Gassco, both in-house and of TSPs.

Corporate governance

This helps to ensure that operations are conducted as required by legislation, statutory regulations, in-house instructions and the TSPs' own in-house requirements. The results of these supervisory activities are used to achieve continuous improvements 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 are exercised by the HSE&Q department.

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 placed 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.

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 plays a key part of Gassco's management processes, and is used throughout the business, including decision-making processes relating to infrastructure developments and to the execution of 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 7.5 per cent of their basic pay, depending on the extent to which targets have been met. 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 Gassco's owners, while Authorityweb is used with the authorities.

User information is made available on the web-based Gassco Booking System, Origo and Licenceweb systems. In addition, users receive information through the newly-established user fora.



Income statement

Amounts in NOK 1 000	Note	2009	2008
Operating income and expenses			
Total operating income	2	0	0
Total operating expenses	2,3,4	0	0
Financial income and expenses			
Other interest income		309	644
Net financial items		309	644
PROFIT BEFORE TAX			
Tax on ordinary activities	8	(197)	242
Profit on ordinary activities		505	402
Profit for the year			
		505	402
Transfers:			
Allocated to other equity		505	402
Total transfers		505	402

Balance sheet

Amounts in NOK 1 000	Note	At 31 Dec 2009	At 31 Dec 2008
ASSETS			
INTANGIBLE ASSETS			
Deferred taxes	8	1 148	652
Total intangible assets		1 148	652
TANGIBLE ASSETS			
Land, buildings and other property	4	37 585	36 712
Operating equipment and fixtures	4	44 047	38 260
Total tangible assets		81 632	74 971
OTHER LONG-TERM RECEIVABLES			
Other receivables	3,7	138 796	80 355
Total other long-term receivables		138 796	80 355
TOTAL FIXED ASSETS		221 575	155 978
CURRENT ASSETS			
RECEIVABLES			
Accounts receivable		62 945	27 123
Other receivables		35 841	4 113
Total current receivables		98 787	31 236
Bank deposits and cash	9	99 972	169 886
TOTAL CURRENT ASSETS		198 758	201 122
TOTAL ASSETS		420 334	357 100

Oslo, 22 March 2010



Brit Kristin Sæbø Rugland
Chair



Trygve Refvem
Deputy chair



Elisabeth Krokeide
Director



Sverre Quale
Director

Amounts in NOK 1 000

Note

At 31 Dec 2009

At 31 Dec 2008

EQUITY AND LIABILITIES

PAID-IN CAPITAL

Share capital	5	10 000	10 000
Total paid-in capital		10 000	10 000

RETAINED EARNINGS

Other equity	6	4 480	3 975
Total retained earnings		4 480	3 975

TOTAL EQUITY

14 480 13 975

LIABILITIES

Provisions

Pension commitments	7	112 625	43 769
Total provisions		112 625	43 769

Long-term liabilities

Long-term interest-bearing debt	10	3 125	4 375
Total long-term liabilities		3 125	4 375

Current liabilities

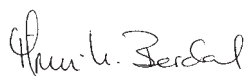
Accounts payable		44 702	80 053
Tax payable	8	2 629	3 865
Tax and other withholdings	9	16 244	22 009
Other current liabilities		226 529	189 055
Total current liabilities		290 104	294 982

TOTAL LIABILITIES

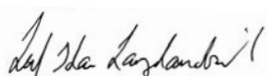
405 854 343 125

TOTAL EQUITY AND LIABILITIES

420 334 357 100



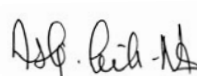
Mimi K Berdal
Director



Leif Idar Langelandsvik
Director *



Marianne Hirzel
Director *



Asbjørn Eik-Nes
Director *



Brian D Bjordal
President and CEO

*Elected by the employees

Cash flow statement

Amounts in NOK 1 000	2009	2008
Cash from operational activities		
Profit on ordinary activities before tax	309	644
Depreciation	22 773	19 630
Changes in accounts receivable	(35 822)	68 364
Changes in other current receivables	(31 729)	40 325
Changes in long-term receivables	(58 440)	(31 051)
Changes in accounts payable	(35 350)	6 815
Changes in long-term commitments	68 856	21 775
Changes in other current liabilities	30 173	(33 605)
Net cash from operational activities	(39 230)	92 897
Cash from investment activities		
Net additions/disposals of fixed assets	(29 434)	(29 535)
Net cash from investment activities	(29 434)	(29 535)
Cash from financial activities		
Redemption of long-term debt	(1 250)	(1 250)
Net cash from financial activities	(1 250)	(1 250)
Net changes in cash and cash equivalents	(69 914)	62 112
Cash and cash equivalents at 1 January	169 886	107 774
Cash and cash equivalents at 31 December	99 972	169 886

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. Its head office is located in Bygnes, and it also has branch offices in Germany, Belgium and France.

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 2008.

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 deposit 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 recorded 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 pipelines and transport-related gas processing facilities. This responsibility involves system and administrative operations, technical operations 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.

All Gassco's expenses are covered by the licensees in relation to the normal operatorship and the gas transporters in relation to the special operatorship. The company calls in the necessary funds. 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 thereby deemed to be performed on behalf of the clients and at their risk, and Gassco accordingly has no earnings from these. As a result, costs relating to the normal and special operatorships do not appear in 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

Payroll costs	2009	2008
Salaries	235 473	225 832
Payroll tax	46 496	44 026
Pension costs	34 214	48 837
Other benefits	45 378	21 338
Total payroll costs	361 560	340 033
Work-years performed	322	311

Remuneration of senior staff	Salary/remuneration	Pension costs	Bonus and other remuneration
President and CEO	2 495	1 098	431
Directors	1 460	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.

Loan and security to management, shareholders, etc

	Loan	Interest rate	Instalment plan	Security
President and CEO	260	-	10 years	-

Loans and security provided to:	Loans	Security
Employees	55 445	0

Auditor

NOK 856 659 was charged in 2009 as fees to Deloitte Statautoriserte Revisorer AS for auditing Gassco and the licences operated by the company. NOK 91 053 was recorded as fees for other services. Deloitte Advokater DA, which collaborates with Deloitte Statautoriserte Revisorer AS, was paid NOK 190 550 for services related to VAT and tax. NOK 1 666 538 was recorded in 2009 as fees for other services supplied by collaborating companies abroad. Of this amount, NOK 808 233 is related to auditing of branches and terminals abroad and the remainder to VAT and local tax reviews.

Notes

Note 4. Tangible fixed assets

Amounts in NOK 1 000	Buildings and other real property	Operating equipment fixtures, tools, etc	TOTAL
Acquisition cost 1 Jan 09	42 126	108 114	150 241
Additions 2009	3 326	26 311	29 637
Disposals 2009	-	(5 418)	(5 418)
Conversion difference	-	(224)	(224)
Acquisition cost 31 Dec 09	45 452	128 783	174 235
Accumulated depreciation 31 Dec 09	7 867	84 736	92 603
Book value 31 Dec 09	37 585	44 047	81 632
Depreciation 2009	2 452	20 321	22 773
Economic lifetime	5.5 years	3,5,7,8 and 10 years	
Depreciation plan	Linear/none	Linear	

Note 5. Share capital and shareholder information

The share capital in the company at 31 December 2009 consisted of the following:	Number	Nominal value	Book value
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

Amounts in NOK 1 000	Share capital	Other equity	Total equity
Equity 1 Jan 09	10 000	3 975	13 975
Year's change in equity			
Net profit		505	
Equity 31 Dec 09	10 000	4 480	14 480



Note 7. Pension costs, funds and commitments

The company has pension plans which cover all its employees in Norway, Germany and Belgium.

In Norway, the plan gives the right to defined future benefits (defined benefit plan). These depend primarily on the number of years of pensionable service, the level of pay at retirement and the size of state pension benefits. The company has both secured and unsecured plans. The calculated premium for all the plans is expensed annually and refunded by the licensees, and reflects the fact that the pension responsibility vis-à-vis the operator is settled as the obligation arises. For this reason, refunded pension costs from the licensees differ from premium payments and costs pursuant to the Norwegian Accounting Standard.

Pursuant to the Norwegian Accounting Standard for Pensions (NRSP), the company posted the pension commitment at 31 December 2009 to the balance sheet with the corresponding receivable as a counter item. Changes in the calculated pension commitment will thereby have no effect on results.

Notes

The table below shows pension cost plus funds and commitment pursuant to the NRSP.

Amounts in NOK 1 000

For employees in Norway	2009
Present value of pension earning for the year	43 969
Interest cost of pension commitment	16 122
Return on pension funds	14 622
Administration costs	0
Recorded implementation effect	0
Recorded estimate loss/(gain)	(8 171)
Net pension cost	66 542

Amounts in NOK 1 000

	Secured (collective)	Unsecured (early retirement)	Other unsecured	Total
Earned pension commitments	323 778	15 601	74 536	413 914
Pension funds (at fair value)	(149 895)	0	0	(149 895)
Unrecorded effect of estimate changes	(155 480)	(3 443)	(31 581)	(190 504)
Net pension commitment	18 403	12 158	42 955	73 516

This plan covers all the company's employees in Norway

Economic assumptions:	2009
Discount rate	4.40%
Expected return on pension funds	5.60%
Expected pay growth	4.25%
Expected adjustment to current pensions	4.00%
Expected change in National Insurance base rate (G)	4.00%

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

Notes

Employees in Belgium have either defined benefit or defined contribution plans. Funds in these plans at 31 December 2009 satisfied local requirements.

Amounts in NOK 1 000

For employees in Belgium	2009
Present value of pension earning for the year	2 628
Interest cost of pension commitment	2 088
Return on pension funds	(1 563)
Administration costs	0
Recorded implementation effect	0
Recorded estimate loss/(gain)	0
Net pension cost	3 153

Amounts in NOK 1 000

	Secured
Earned pension commitments	41 194
Pension funds (at fair value)	(29 917)
Unrecorded effect of estimate changes	0
Net pension commitment	11 277

This plan covers all the company's employees in Belgium

Economic assumptions:	2009
Discount rate	5.00%
Expected return on pension funds	5.30%
Expected pay growth	2.00%
Expected adjustment to current pensions	2.00%

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

For employees in France

Employees in France have defined-contribution pensions plans which comply with local requirements.

Notes

Employees in Germany have various defined-benefit pensions plans.

Amounts in NOK 1 000

For employees in Germany	2009
Present value of pension earning for the year	3 230
Interest cost of pension commitment	2 834
Return on pension funds	0
Administration costs	0
Recorded implementation effect	0
Recorded estimate loss/(gain)	0
Net pension cost	6 065

Amounts in NOK 1 000

	Secured
Earned pension commitments	56 406
Pension funds (at fair value)	(28 574)
Unrecorded effect of estimate changes	0
Net pension commitment	27 832

This plan covers all the company's employees in Germany.

Economic assumptions:	2009
Discount rate	5.80%
Expected return on pension funds	5.30%
Expected pay growth	2.00%
Expected adjustment to current pensions	1.00%

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

Notes

Note 8. Income taxes

Amounts in NOK 1 000

Taxes for the year are as follows:	2009	2008
Tax payable	2 629	3 865
Refunded tax	(2 330)	(3 022)
Changes in deferred tax	(496)	(600)
Tax on ordinary profit	(197)	242

Tax payable:

Tax payable in balance sheet	2 629	3 865
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Reconciliation from nominal to effective tax rate:

Profit for the year before tax	309	644
Calculated tax at nominal tax rate (28%)	86	180
Fiscal effect of the following items:		
Tax-effect on net refund under incentive scheme for R&D (Skattefunn)	(554)	0
Non-deductible cost, part of pension cost	2 595	3 079
Refunded tax	(2 330)	(3 022)
Non-taxable income, interest on tax receivable	7	5
Tax	(197)	242
Effective tax rate	(63.8%)	37.6%

Specification of temporary differences and their net tax effect:

	2009		2008	
	Benefit	Obligation	Benefit	Obligation
Temporary differences, operating equipment	4 100	0	2 329	0
Net deferred tax benefit/obligation in the balance sheet	1 148	0	652	0

Note 9. Bank deposits

Bank deposits and cash include NOK 9 159 292 in tied tax withholdings.

Note 10. Guarantees

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



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Gassco AS

AUDITOR'S REPORT FOR 2009

We have audited the annual financial statements of Gassco AS as of 31 December 2009, showing a profit of NOK 505.448. 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 prepare 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 other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have 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 law and regulations and give a true and fair view of the financial position of the Company as of 31.12.2009, 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 see to proper and well arranged recording and documentation of accounting information in accordance with 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 law and regulations.

Haugesund, 22. March 2010
Deloitte AS

Else Holst-Larsen (signed)
State Authorised Public Accountant (Norway)

Audit. Tax & Legal. Consulting. Financial Advisory.

Member of
Deloitte Touche Tohmatsu

