



Annual report 2013



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Prudent optimism

Norwegian gas exports exceeded 100 billion cubic metres in 2013, putting them on a par with the record set the year before. But optimism on the industry's behalf should be mixed with a solid portion of prudence.

We have had what I would call a good year in Gassco, with high production availability both at the big processing plants and in the rest of the transport system. It is always pleasant to be able to report good and stable operation, but the challenges do exist. A high level of regularity rests on meticulous and continuous maintenance work. The search for corrosion in process trains and associated utilities is an example. An extensive programme to identify corrosion at Kårstø was completed in 2013, and a new programme for other parts of the plant is already being planned. Technical facilities do not last for ever. A good illustration of that is provided by the construction of a new receiving terminal for Norwegian gas in Emden to replace the Norsesea Gas Terminal built in 1977.

I feel we are doing good work with health, safety and the environment. Incidents are followed up systematically through analyses and purposeful measures. Nevertheless, we experienced more critical incidents within our operator area than in the two previous years. Two of these incidents could also easily have had a more serious outcome. We must learn from this, and ensure that these lessons reach those who work in the first line and are therefore often the most exposed.

In speeches and presentations, I often use an illustration we have called "a changing world". This depicts various development trends which could influence the future for us as the operator and for the

gas transport system. As a starting point, we must always ask ourselves how we can best contribute to a high level of value creation by adapting to change. Much depends on the long-term development trajectory. If Norwegian gas is to maintain its position in Europe, more fields must be brought on stream.

Concerns many people share relate to efficiency and the level of costs. Profitability on the Norwegian continental shelf (NCS) is under pressure. Commentators note that new and medium-sized developments need an oil price of around USD 80 per barrel to be profitable. This is a demanding requirement, which could make the NCS less attractive to players considering investment in field development and new infrastructure.

Several factors underlie the growth in costs. That makes it important to establish a collective view on what needs to be done. Without a common understanding of reality, both in the industry and in the government, resources could remain in the ground despite a high level of exploration activity and a number of promising discoveries.

Thanks to an ability to maintain a high level of production and a unique transport system in global terms, Norwegian gas is very well positioned in relation to the most important European markets. It also has a good reputation, thanks to stable deliveries and willingness to accept market-based regulation. Norway's gas exports reached a record level in 2012. They were somewhat lower in 2013 because of their dependence on an interplay between such aspects as production, transport capacity, availability of resources and the market. This interplay creates fluctuations.

In my view, therefore, the reduction in gas deliveries for 2013 does not represent a trend. Norwegian gas will continue to make a substantial contribution to European energy supply for many years to come.



Brian D Bjordal
Brian D Bjordal
President and CEO

NORWEGIAN GAS EXPORTS
EXCEEDED 100 BILLION
CUBIC METRES IN 2013 **100**



Directors' report 2013

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, France and the UK, which are responsible for day-to-day operation of the receiving terminals.

Framework conditions for Gassco are determined by the government. The company's primary roles are furthermore 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 Act and associated regulations. It relates to system operation, capacity management and infrastructure development. The normal operatorship refers to the technical operation of processing plants, pipelines, platforms and receiving terminals pursuant to the Norwegian Petroleum Act's provisions on operator responsibility. These duties are further regulated by operator agreements, including those with the Gassled joint venture, which owns the vast majority of the infrastructure for transporting gas from the NCS.

Gassco itself is responsible for day-to-day operation of the receiving terminals in continental Europe and the UK, and for the Gjøa Gas Export pipeline. The company has entered into extensive agreements with Statoil, ConocoPhillips and Total on the purchase of technical operating services for other pipelines, receiving facilities, platforms and processing plants.

Gassco does not make a profit or a loss from its operations. Its costs are met by the joint venture, the users and third parties. This means that its economic and financial risks are very limited. Consequently, the annual accounts, balance sheet, equity and liquidity are not specifically discussed.

Gassco's strategic goals are

- to represent best practice for health, safety and the environment
- to be responsible for first class operation, maintenance and development of transport and processing facilities
- to be perceived as a professional, neutral and independent system operator and administrator of capacity in the transport system
- to ensure value creation through integrated development of the gas transport system
- to be characterised by leading-edge expertise in its core areas
- to relate actively to changes in its operating parameters and new business areas.

The management system manual describes the company's corporate governance. Risk assessments are conducted and the most hazardous activities at any given time identified in order to ensure safe operation of the business. Gassco's management system and associated control routines ensure efficient and acceptable operation in accordance with applicable legislation and specified goals.

Corporate social responsibility (CSR) is an integral part of the company's organisational culture, strategy, operational activities and ethical conduct towards the world at large. The company's ethical guidelines conform with the UN's Global Compact and the OECD's guidelines for multinational companies. Gassco exercises its CSR in part through support for clubs and organisations in the region where its head office is located and in other local communities in which the company pursues activities. Culture and sport are Gassco's selected areas for collaboration, and particular emphasis is given to supporting activities and measures for children and young people. Gassco's tendering process clarifies whether the supplier has established its own policy and guidelines for CSR, and whether it has been involved in incidents related to corruption, child labour or breaches of human rights or the rights of employees to unionise. Information on such matters is obtained from the suppliers themselves, from internet searches and from the Achilles supplier network. Possible conditions uncovered will be significant in qualifying the supplier for participation in the tendering process.

Organisation

Gassco has a functionally structured organisation, with business units for system operation, asset management, and business development and finance. In addition come staff, support and service units for technology, projects, HSE&Q, public relations, controller and human resources.

Some staff, support and service units are also organised as part of the business units. ICT is placed under system operation, while finance and legal services are incorporated in business development and finance. The Gassco organisation is characterised by highly competent personnel with their attention concentrated on operations.

Gassco's vision is "Norwegian gas transport to Europe – reliable and forward-looking". Its job is to ensure maximum value creation from the resources on the NCS.

Gassco's values base

- We will conduct our business in an ethical, sustainable and socially responsible manner.
- The expertise of our employees provides the basis for safe and reliable gas transport.
- We look ahead and find solutions. We value talent and a positive attitude by our employees.
- Our goal is that everyone will achieve personal development in a healthy business culture and a good social environment.
- All behaviour in our organisation must accord with our values. Managers have a special responsibility.

Gassco had 362 permanent employees at 31 December 2013, including 149 at the receiving terminals in continental Europe and the UK. The company currently has two office trainees in Norway and two apprentice electricians in Germany.

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. The company has pursued a programme for personal development of its employees during recent years, which will be continued. In addition, a management development programme was initiated in 2013 which builds further on work done earlier.

Continuous organisational development with the emphasis on the expertise required to meet forthcoming challenges will continue to occupy a key place. The company has a relatively restrictive employment policy. Increased resource requirements are largely met by personnel on temporary contracts if the new work is not permanent in nature.

Equal opportunities and anti-discrimination

The company's human resources policy is gender-neutral and ensures equality of opportunity in all areas. Job advertisements manifest the company's desire for a good gender balance, age spread and diversity in the workforce. Candidates with different ethnic backgrounds are urged to apply for vacancies. Qualified candidates from a minority background will 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 pays special attention to equal treatment of men and women.

Gassco has ensured good physical access to its buildings, so that all facilities are also available to people with disabilities. Workplaces are individually customised for employees with repetitive strain injuries.

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

Gassco has a philosophy of zero accidents and no harm to people, the environment or material assets. This 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 2013.

The working environment in Gassco is good. The company's target for a number of years has been an overall sickness absence below three per cent. That goal was met again in 2013. Sickness absence for the year was 2.49 per cent throughout the business (including Gassco and providers of technical services).

The company's management system covers such aspects as reporting, investigating and following up incidents and non-conformities. This is important for achieving continuous improvement in the HSE&Q area. The company has defined key performance indicators

(KPIs) which show how HSE&Q results are developing over time. That helps to identify trends in order to ensure that improvement initiatives are measurable and as effective as possible.

Experience transfer and durable learning from incidents are followed up systematically through analyses and purposeful action. The frequency of incidents defined as critical increased from 2012 to 2013, when a total of four events occurred. That compared with two the year before and three in 2011. Two of the critical incidents in 2013 caused personal injuries which were not particularly serious, but they have been classified as critical because insignificant changes in the circumstances could have led to more serious injury. In other words, the potential of the incidents is regarded as serious and probable. Two of the incidents caused no actual harm to the environment, people or material assets, but are classified as critical because they could have caused serious personal injuries with insignificant changes in the circumstances. To achieve continuous improvement, the board wants to see that experience transfer and durable learning occupy a key place in future work.

The personal injury frequency for Gassco's operator area in 2013 was 5.4, up from 4.0 in 2012. The board is concerned that this frequency was somewhat higher in 2013 than the year before.

One gas leak larger than 0.1 kilograms per second was recorded in 2013, when Gassco registered two fires within its operator area. Neither of these fires was serious in nature and they were quickly extinguished. A total of six accidental discharges of chemicals occurred in 2013, one of which was classified as less serious and five as moderately serious. These discharges were largely caused by technical failures in equipment, either as a result of design changes or because of inadequate monitoring. In those cases where the failure was the result of human error, routines for safe working in the operations organisations have been reviewed. Supervision in the form of audits, verifications and management inspections plays an important role in Gassco's follow-up of its business. Similarly, the company is subject to checks by official regulators and the Gassled joint venture. Such supervision provides lessons for further improvement, but by and large confirmed in 2013 that the business is conducted in a positive way.

An important component in Gassco is its emergency response organisation. The response organisation at Bygnes held and participated in nine exercises during 2013. Some of these were conducted in cooperation with companies responsible for technical operation of assets on Gassco's behalf, and others with employees at its receiving facilities. Local exercises were also staged at the plants. These drills provide the organisation with good training and experience as the basis for further improvements. The exercises in 2013 demonstrated that Gassco's emergency response organisation functions well.

The company will continue its efforts to achieve HSE&Q improvements. These will also be sought at companies carrying out operating assignments on Gassco's behalf. Particular attention is paid to all conditions with a major accident potential.

Gassco operated all processing plants, pipelines and platforms in accordance with applicable emission/discharge permits in 2013. Diffuse emissions at Kollsnes continue to present challenges.

The company purchased 269 000 allowances to cover its carbon emissions in 2013. Gassco only buys EU allowances (EUAs) in the EU's allowance market. The allowances purchased in 2013 covered about 20 per cent of its total emissions during the year. The remainder was covered by 1 026 000 free allowances. The third phase of the allowance system runs from 2013 to 2020. Free allowances received by Gassco were reduced by about nine per cent from 2012 to 2013 in connection with the transition to a new allowance period. The allocation will be further reduced during this new period. All facilities subject to Gassco's operatorship participate in the allowance system.

PERMANENT
EMPLOYEES IN 2013

362

HEALTH AND SAFETY RESULTS	Results 2013	Results 2012
Deaths	0	0
Total personal injuries	37	23
Lost-time injuries	14	10
Fires	2	3
Gas leaks	1	0
Critical incidents	4	2
Unlicensed emissions/discharges	0	1
Accidental discharges, oil/chemicals	6	7

EMISSIONS/DISCHARGES TO THE NATURAL ENVIRONMENT		Emissions 2013	Emissions 2012
To the air	Nitrogen oxides	842.1 tonnes	1 180.1 tonnes
	Carbon dioxide	1 321 kilotonnes	1 389 kilotonnes
	Safety flaring	22.9 kilotonnes	18.0 kilotonnes
To water	Oil	158 kilograms	375 kilograms
	Phenol	29 kilograms	69 kilograms
	TOC	7 492 kilograms	9 713 kilograms
To soil/ water	Accidental discharges, oil/ chemicals	5 310 litres	1 421 litres

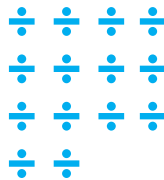
DEATHS



PERSONAL INJURIES



LOST-TIME INJURIES

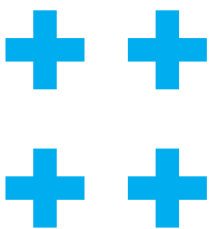


UNLICENSED EMISSIONS/DISCHARGES

FIRES



CRITICAL INCIDENTS



GAS LEAKS



ACCIDENTAL OIL/CHEMICAL DISCHARGES



EMISSIONS TO THE AIR



DISCHARGES TO WATER



DISCHARGES TO SOIL/WATER



System operation

Deliveries from the Norwegian gas transport system to Europe came to 102.5 billion scm in 2013, compared with 107.6 billion scm the year before. Gas exports accordingly remained stable at a high level. Total deliverability was 99.69 per cent, unchanged from 2012.

Preparations were made in 2013 for gas deliveries from Skuld, Hyme and Jette, and three new shippers delivered gas to the transport system. These fields and shippers are now incorporated in Gassco's systems and form part of operational gas transport.

The Gassco board is pleased with the development of Norwegian gas exports, even though deliveries for 2013 ended up lower than the year before.

Vessel traffic with natural gas liquids (NGL) from Kårstø calls for careful coordination with daily gas transport to avoid full product stores and field shutdowns. A total of 660 ship calls were recorded at Kårstø during the year, without giving rise to any incidents of significance for gas transport.

DELIVERABILITY
99.69%

GAS TRANSPORT

	2013	2012
Deliverability (%)	99.69	99.69
Quality (%)	99.99	99.99
Gas delivered to receiving terminals in Europe (billion scm)	102.5	107.6
Highest delivery per day (million scm)	345.2	356.9
Average gross calorific value (kWh/scm)	10.94	10.95
Total volume other products supplied by the gas transport system (million tonnes)	7.29	7.96

The transport network has a built-in flexibility which makes it possible to compensate for production disruptions on fields, at processing plants and on riser platforms. This flexibility can be utilised through the management exercised by Gassco's control room, which operates around the clock. As the transport system has become increasingly complex, with more fields tied in and a larger number of gas qualities, the ambition is to deliver with almost 100 per cent availability in the market.

Capacity management

Gassco is responsible for allocating transport capacity in the gas transport system. This is done both on a daily basis and through booking rounds. Two booking rounds were conducted during the year, involving the sale of medium- and long-term capacity.

The functionality of the booking system was extended during 2013. Annual field forecasts can now be loaded into the booking system, giving the individual shipper better access to forecasts from their own fields. Shippers can now also compare data which present forecasts for total production.

Asset management and development

Operation of the Kårstø processing plant went well during 2013. As expected, utilisation of the facility was moderate because of upstream restrictions but was rising towards the end of the year. A turnaround conducted with the Åsgard facility during the year was the first to be carried out since the introduction of a three-year shutdown cycle for this part of the plant. Available annual capacity was 93.94 per cent, 0.76 percentage points above target.

The processing plant at Kollsnes was again operated well in 2013. Significantly lower utilisation than in 2012 characterised the year as a result of upstream restrictions, which meant that production availability came to no less than 99.64 per cent, or 1.03 percentage points above target.

A production availability of 99.91 per cent (target 99.95 per cent) was achieved for platforms and 99.99 per cent (target 99.99 per cent) for pipelines in the transport network. An important event was capacity restrictions in the Norne gas pipeline, overcome by replacing risers on the field. A capacity restriction was identified on

Åsgard Transport late in the year.

The pipeline receiving facilities achieved a very high production availability of no less than 99.99 per cent in 2013, while the target was 99.98 per cent. The board is extremely satisfied with the high level of production availability and regularity achieved throughout the gas transport system in 2013.

The gas transport system must be safe and reliable, and large resources are therefore devoted to maintenance, testing and inspection. Operation of the system is cost-efficient, and systematic efforts are made through improvement programmes to improve safety and reliability and to reduce costs. A cost-efficient transport system in the time to come will help to boost value creation on the NCS.

Installing a bypass around the B11 compressor platform and the shut-down of that facility in 2013 cut operating costs in the transport system. Similar action has been taken earlier with the H7 and 2/4-S platforms. These bypasses mean a considerable simplification of the system for transporting gas via Norpipe to Emden in Germany.

As a consequence of the bypasses installed along Norpipe, the above-mentioned platforms need to be removed. This was done with H7 in 2013. The topside structure on 2/4-S was taken off in 2001, and the remaining jacket is to be removed in 2014. Finally, B11 will be taken away in 2016. These removal projects have a combined price tag of roughly NOK 2.7 billion.

The Gassco Emden Project (GEP) was approved in 2012, and the contract for building the new receiving facility was awarded to Linde in March 2013. It is costed at about NOK 5 billion. Through this upgrade, Gassco will provide for cost-efficient, reliable and safe operation for

many years to come.

The Draupner platforms represent an important hub in the gas transport system. One of these two riser installations, Draupner S (Statpipe), currently has a design life until 2015. Studies show that it is nevertheless in good condition and could remain in use for many years ahead.

An application to extend its operational life was accordingly submitted to the Petroleum Safety Authority Norway (PSA) in May 2013. The PSA has renewed its safety requirements for lifeboats on all platforms on the NCS. A safe and cost-efficient solution for this issue has been found on Draupner, and upgraded lifeboats are due to be lifted onto Draupner S in early 2014.

Systematic risk and emergency preparedness analyses are conducted for the individual facilities in the gas transport system and for the system as a whole. These show that the level of risk is low, while also identifying sensible upgrades which would help to reduce risk even further. The security of the facilities is also the subject of risk analyses and improvement measures.

An Onshore Gas Security project for the land-based plants in Norway has been under preparation for several years, and the decision to implement it was taken in 2013.

Major upgrades costing almost NOK 10 billion have been carried out at Kårstø over the past seven years. New metering stations for liquid products came into operation during 2013, and upgrading work on three electric compressors was completed. Upgrading of two steam boilers at the plant is continuing, and will last until 2015. Making provision for light oil from Gudrun was completed in 2013, and this plant is now ready to accept the new feedstock. Project-related activity at

GAS
QUALITY **99.99%**



Kårstø is expected to be somewhat lower in coming years. Plans nevertheless call for upgrades to control systems in the Åsgard plant and improvements to the fire water and blowdown systems. A big programme to identify corrosion under the insulation in the Statpipe and Sleipner facilities was completed in 2013. A total of roughly NOK 1.3 billion has been spent on this activity over a seven-year period. A new programme related to corrosion beneath insulation and on the surface is planned in the Åsgard plant.

A major upgrade to the operating systems for the electric compressors at Kollsnes was completed in 2013. Plans are now being laid for a big upgrade of the control system and other electrical systems in the plant.

When the Aasta Hansteen field begins to deliver gas to Nyhamna in 2016, Gassco will take over the operatorship for this process plant. Preparations for the takeover began in 2013.

The process plants in Norway are largely dependent on electricity, and power supply failures will often cause operating disruptions. A great deal of work has been devoted to making Gassco's own facilities robust. The company is involved in efforts to improve the quality of electricity supplies.

Infrastructure development

Continuous and coherent development of the gas infrastructure is an important instrument for securing effective resource management on the NCS. Gassco prepares annual transport plans, which assess future requirements for developing transport capacity based on analyses of user needs. The 2013 transport plan indicates that utilisation of the gas infrastructure will be good over the next few years. However, the forecast reveals a declining trend in the longer term. Conducted by Gassco in 2012, the NCS2020 study indicated that further development of gas infrastructure in the far north will make an important contribution to

enhancing value creation on the NCS. Gassco therefore joined forces with the industry in 2013 for the Barents Sea Gas Infrastructure (BSGI) study. This work is broadly supported by the operators on the NCS, with participation by 23 oil and gas companies as well as Statnett, the Norwegian Petroleum Directorate and representatives from the Norwegian Oil and Gas Association.

The BSGI study aims to map the volume base in these waters and assess possible gas transport solutions within and from the Barents Sea – including the consequences for the NCS as a whole and for future decisions to be taken on new and existing gas infrastructure.

Gassco was requested, on the basis of a mandate from the Ministry of Petroleum and Energy in 2012, to assess infrastructure solutions for the oil discoveries on the Utsira High – in other words, the Edvard Grieg, Ivar Aasen and Johan Sverdrup fields. It was resolved at the time to continue work on a transport solution for oil from Johan Sverdrup independently of the solution for Edvard Grieg and Ivar Aasen. Gassco was again asked in 2013 to assess oil solutions for Johan Sverdrup. In consultation with the licensees for this field, the company reported its assessments to the government. These supported the operator's recommendation to install an oil transport solution to Mongstad.

Johan Sverdrup was the source of several infrastructure analyses in 2013. In addition to the oil transport solution, Gassco assessed gas transport options for the fields on the Utsira High and prepared for a tie-in to the electricity grid station at Kårstø to supply power from shore (PFS). Separate gas transport solutions are planned for fields on the Utsira High, with gas from the Ivar Aasen and Edvard Grieg developments due to be exported via the UK system while rich gas from Johan Sverdrup is taken to Kårstø through a new pipeline.

GAS DELIVERED TO THE EUROPEAN
RECEIVING TERMINALS IN 2013
(BILLION SCM)

102.5

Gassco has also worked on gas transport solutions for the Goliat, Zidane, Maria, Fulla, Tommeliten Alpha, Fogelberg, Trestakk, Alpha Central and Krafla fields.

Together with industry association Norwegian Oil and Gas, a number of operators – including Gassco – have worked to secure stable power supplies for both new and existing facilities if developments are to continue moving north. A close dialogue has been established with Statnett, as the organisation responsible for operation and development of the Norwegian electricity grid, in order to ensure good operating conditions for new and existing gas processing facilities. Gassco represents the petroleum industry in Statnett's recently established market and operating forum.

In addition, Gassco provided support during 2013 for the Ministry of Petroleum and Energy in work on new tariffs for future agreements covering the bulk of Gassled.

Research and development

Gassco devoted NOK 56.4 million to R&D in 2013. Attention focused on pipeline technology, the processing and receiving facilities, gas quality and capacity.

Key projects

- qualifying acoustic resonance technology (ART) scanning technology for internal pipeline inspection
- diverless subsea welding/repair of pipelines
- using acoustic monitoring of pipelines to ensure their integrity and avoid gas leaks
- improving methods and tools for monitoring electrically driven compressor trains in the processing plants
- delivering the pipeline management system (PMS) model for simulation and monitoring to the Gassco operations organisation

- executing a pilot project for the Phase Opt technology designed to provide better predictions of cricondenbar and potentially increase transport capacity in Åsgard Transport
- initiation of research programmes on robot technology for inspection of pressure tanks and large storage tanks.

Share capital and shareholders

The company's share capital at 31 December 2013 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 loss and its coverage

The net loss was NOK 159 169. This will be covered from other equity, which amounted to NOK 5 826 812 at 31 December 2013. Pursuant to section 3, sub-section 3a 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

Gas deliveries from Norway now meet more than 25 per cent of total European gas consumption. Norwegian deliveries to the European market were again on a par with Russian gas exports in 2013. Gas from Norway is expected to play an important role in Europe's future energy portfolio. From a climate perspective, Norwegian gas is expected to be able to contribute to a substantial reduction in European carbon emissions, since natural gas releases less carbon dioxide than other fossil energy source – particularly by comparison with industrial use of coal.

The European energy market is characterised by a high pace of development with renewable electricity generation in the form of wind and solar power. At the same time, coal consumption has increased and less gas is being used in the power generation segment. New gas-fired power stations are being completed without coming into operation. On the other hand, declining domestic gas production in the EU countries means that demand for Norwegian deliveries is expected to be maintained. It will remain important to deliver natural gas from Norway to the European market on competitive terms. Gassco's role will be to ensure high delivery availability and cost-effective transport in new gas infrastructure, while keeping the cost of using existing facilities low.

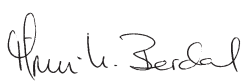
Expectations for discoveries in the Barents Sea are great, and exploration drilling in these waters is higher than ever. It is important that developments in the Barents Sea are evaluated from an area perspective, with the emphasis on maximising the value of petroleum resources on the NCS.

The BSGI study ensures that the relevant players on the NCS can contribute knowledge and participate in analyses, so that a robust foundation is created for decisions on further development of the infrastructure in the far north.


In its climate White Paper, the government highlighted PFS as one of the most important measures for reducing Norway's carbon emissions in relation to new offshore developments. Licensees on the NCS are required to assess PFS for new oil and gas installations. Developments are expected to lead to an increase in PFS and thereby to a changed balance between supply and demand in the power grid. Gassco will contribute expertise and knowledge to ensure that both the gas infrastructure and new petroleum activities with land-generated electricity as their energy source meet expectations for cost efficiency and deliverability.


Bygnes, 27 March 2014



Ottar Inge Rekdal
Chair



Mimi K Berdal
Deputy chair


Nina Schieldrup Lie
Director


Johan Einar Hustad
Director


Terje Aven
Director

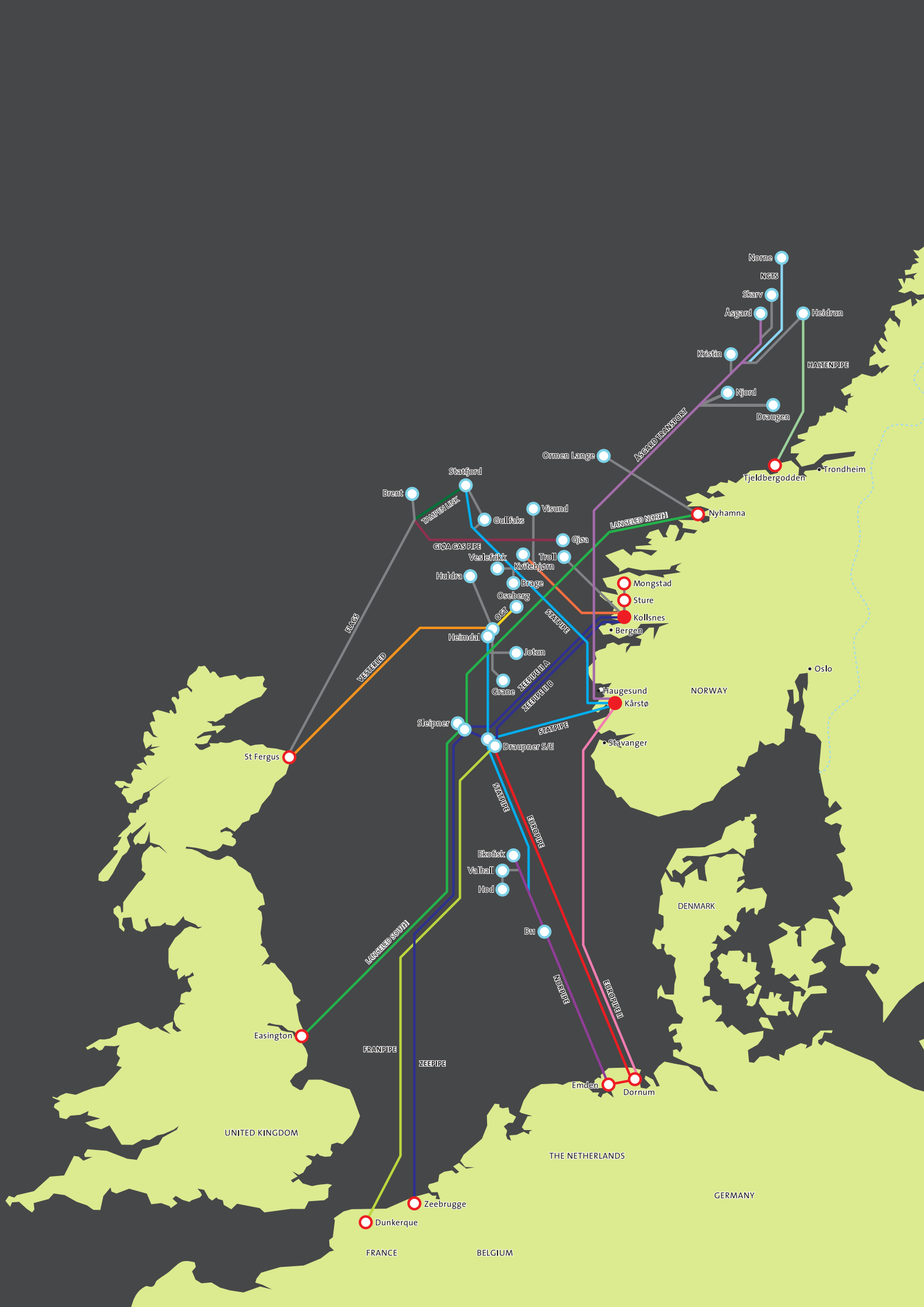

Silje Aamot Haga
Director*


Henny May Justad
Director*


Geir Hausken
Director*

*Elected by the employees


Brian D Bjordal
President and CEO



Board of directors 2013



Ottar Inge Rekdal

Chair (born 1949). He has worked for Statoil since 1975, holding a number of management positions. These include head of gas development and market for five years, the development division, and technology. Over the past 12 years, Mr Rekdal has worked exclusively on international operations – including responsibility for Statoil's activities in west Africa, north Africa, Europe and the Middle East as well as on international gas operations. He is a director of Linjebygg Offshore and Ocean Installer. Mr Rekdal has been chair since 2012.



Mimi K Berdal

Deputy chair (born 1959). She works today as a lawyer with her own law practice. Ms Berdal previously served as a legal advisor with Total Norge, and as an associate and partner in the Arntzen de Besche law firm. She holds a number of directorships in listed and private companies covering various sectors. Ms Berdal has been a director since 2007.



Nina Schieldrup Lie

Director (born 1962). Ms Lie is senior adviser at DNB Konserninvesteringer. She has previously served as regional manager responsible for DNB's operations in the Stavanger region and as a vice president for Accenture Rogaland. She has been a CFO in the oil industry, including at oil company Petoro AS, Aker Drilling ASA and Navis AS. Ms Lie is chair of Sårkorninvest II AS, deputy chair of the Stavanger Region Chamber of Commerce and Rosenkildehuset AS, and a director of Sarsia Seed AS, Folke Hermansen AS, Cotech AS and Innovation Norway Rogaland. Ms Lie has been a director since 2012.



Johan Einar Hustad

Director (born 1954). He is professor and pro-rector at the Norwegian University of Science and Technology (NTNU) with responsibility for innovation. Prof Hustad has headed the department of energy and process technology at the NTNU and has occupied several management posts at the university and at Sintef. He was also head of the centre for renewable energy, Nordic research professor for Nordic energy research, and guest professor at Stanford University in the USA. He has served on a number of national and international committees and technical bodies. Prof Hustad has been a director since 2012.



Terje Aven

Director (born 1956). Prof Aven is professor of risk management at the University of Stavanger, and has previously served as an adjunct professor at the Norwegian Institute of Technology (NTH) and the University of Oslo. He was with Statoil for several years. Prof Aven has worked on various projects related to the gas transport network, directed at such aspects as risk, regularity, operation and maintenance. He has been a director since 2013.



Silje Aamot Haga

Worker director (born 1985). She is a senior engineer at Gassco and chair of the company's branch of the Norwegian Society of Graduate Technical and Scientific Professionals (Tekna). Ms Haga has been a director since 2013.



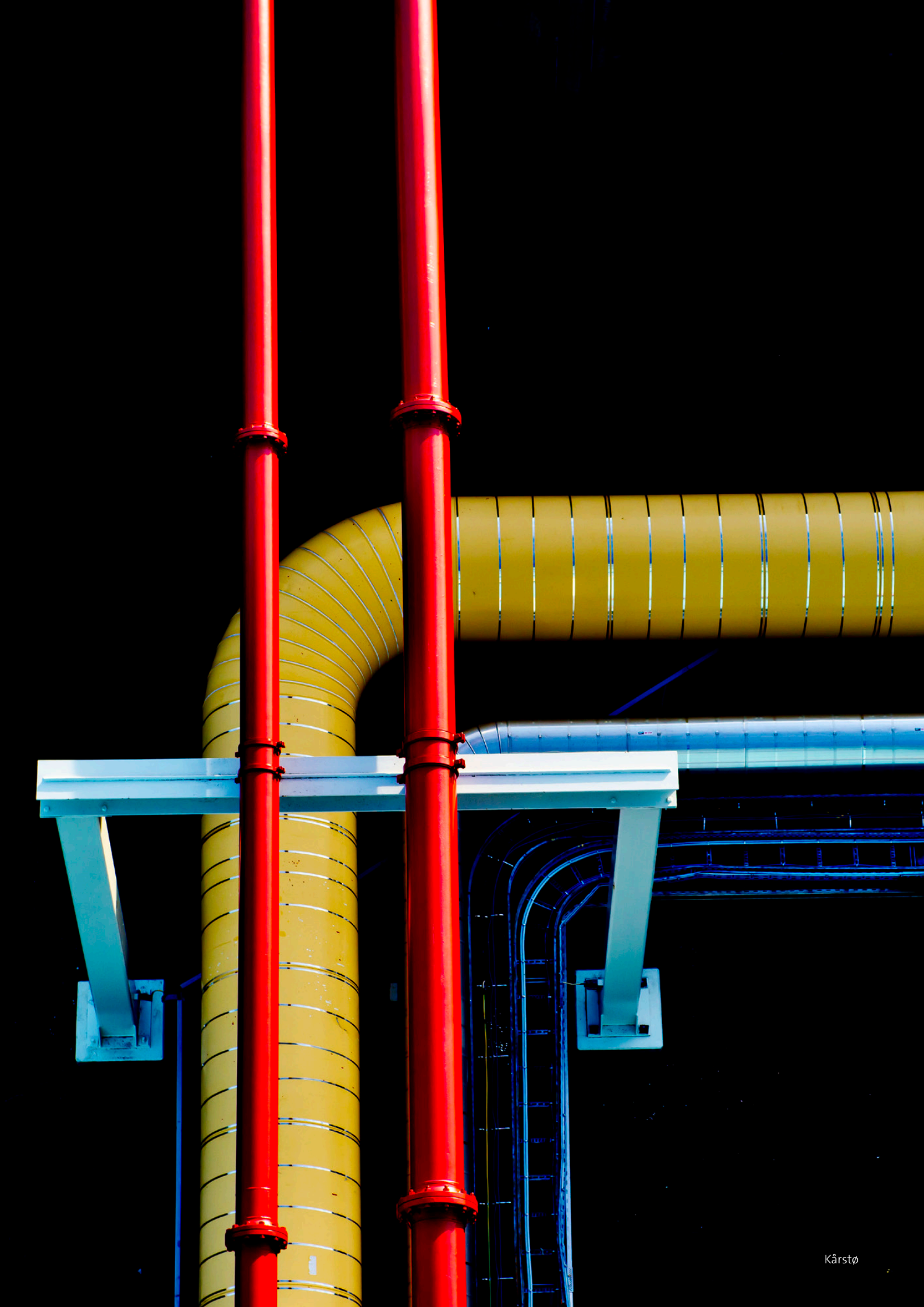
Henny May Justad

Worker director (born 1962). She is a special consultant at Gassco AS and head of the Gassco branch of the Industry Energy (IE) union. Ms Justad has been a director since 2012.



Geir Hausken

Worker director (born 1973). He is a principal engineer and project manager in Gassco, and heads the company branch of the Norwegian Society of Engineers and Technologists (Nito). Mr Hausken has been a director since 2012.



Corporate governance

The board's presentation of corporate governance

Governing bodies in Gassco are the general meeting, the board of directors, the chief executive and the management team. The roles and responsibilities of the various bodies are defined at the highest level by legislation, statutory regulations, agreements and Gassco's articles of association.

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 business purpose, aspects relating to equity and dividend, equal treatment of shareholders and transactions with close associates, free transferability of the company's shares, the general meeting, a nomination committee and takeovers are not relevant and are accordingly not covered below. No transactions take place with close associates, and further comment on this subject is not considered relevant.

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, ethical and socially responsible manner.

Gassco's values base

- We will conduct our business in an ethical, sustainable and socially responsible manner.
- The expertise of our employees provides the basis for safe and reliable gas transport.
- We look ahead and find solutions. We value talent and a positive attitude by our employees.
- Our goal is that everyone will achieve personal development in a healthy business culture and a good social environment.
- All behaviour in our organisation must accord with our values. Managers have a special responsibility.

Gassco's vision

Norwegian gas transport to Europe – reliable and forward-looking.

Gassco's job is to ensure maximum value creation from the gas resources on the NCS. The company works professionally and with a high degree of integrity.

Good HSE&Q results are crucial for achieving positive commercial results. Gassco's goal is zero accidents and no harm to people, the environment or material assets.

Gassco's business

Gassco's business purpose is defined in its articles of association. This is to operate transport systems for natural gas on and from the NCS, including pipelines, platforms, 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 an extensive gas transport system which has been built up over almost 40 years, with an acquisition cost of roughly NOK 220 billion in fixed 2013 value. Owners and users of the gas transport systems are large global players in the oil and gas industry as well as major investment companies. Annual tariff revenues in the system total NOK 25-30 billion.

Gassco has been assigned responsibility for operating the upstream gas pipeline network by the Ministry of Petroleum and Energy pursuant to section 4, sub-section 9 of the Petroleum Act.

Gassco's primary roles can be divided into two components – the normal and special operatorships.

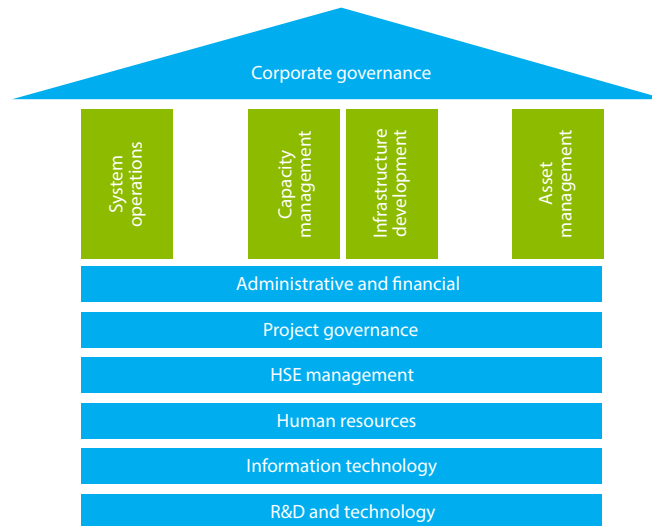
The normal operatorship relates to asset management, licence administration and project development. An important part of asset management is to see to it that activities are conducted in a manner which ensures that health, safety and environmental standards are met. Gassco's normal operatorship relates to operation and maintenance of the Gassled and Haltenpipe gas transport systems, and is subject to the authority of the owners to issue instructions pursuant to the operator agreement.

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. Agreements have been entered into with Statoil, ConocoPhillips and Total for this type of service.

The special operatorship covers the exercise of duties assigned to Gassco pursuant to chapter 9 of the petroleum regulations. These duties are subject to some extent to the Public Administration Act and the Freedom of Information Act. The transport system

Management model

The model comprises 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.



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The corporate governance process group embraces 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 system manual, 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, who is responsible for the final decision, 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.

The user fora – the Infrastructure Advisory Board, the Operating Forum, the NGL Forum and the Industry Arena – have been established with participation from relevant companies. Participants in these bodies are licensees on the NCS and qualified shippers. Gassco continuously evaluates whether the established user

fora function as intended. Although formal decisions are taken either by the owners of the gas infrastructure or by participants in the infrastructure development projects, the work processes ensure that shippers exert genuine influence ahead of these decisions.

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. Other types of supervision/verification of suppliers and internal activities are also conducted by Gassco's units and projects. 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.

Ethics and CSR

Gassco has established written ethical rules for its employees and elected officers. These rules require each person to behave with due care and attention, and to refrain from behaviour 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, and all personnel are kept regularly updated in this area.

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

Gassco conducts its business in accordance with the principles for good CSR. This is enshrined in the company's governing documentation through the management of the CSR procedure.

CSR forms an integrated part of the company's organisational culture, strategy, operational activities and ethical conducts towards the world at large. Through CSR, Gassco as a company takes responsibility for its activities, including the way these affect various social players.

A general respect for human rights is an integral part of Gassco's value base. The company's ethical guidelines conform with the UN's Global Compact and the OECD's guidelines for multinational companies. Its ethical guidelines are described in a separate document, which forms part of Gassco's governing documentation.

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. A balanced scorecard is utilised as a tool in the business areas.

Risk assessment

Risk assessment plays a key part in 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 provides input for establishing 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 also updated in connection with the operation of all operational assets, which are assessed in relation to established acceptance criteria. Action lists with deadlines for implementation are drawn up for identified risks.

Remuneration of directors

The general meeting determines directors' fees, which are independent of the results achieved.

Remuneration of executive personnel

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-related 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 provides all employees with the opportunity to receive an annual bonus of up to 10 per cent of basic pay, depending on the extent to which targets have been met.

The board's declaration on pay and other remuneration for senior executives, see note 3 to the accounts, details the remuneration of senior executives and the terms of the company's remuneration policy, including the bonus plan. The board's declaration is considered by the general meeting.

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.

User information is made available to the shippers in Gassco's booking system, in Origo and in the user fora.

In addition, License to Share is used as a medium of communication with Gassco's owners and shippers, while Authorityweb is used with the authorities.

Real-time information and details about planned and unplanned shutdowns are posted on Gassco's website.

Auditor

Deloitte AS is the company's external auditor, and is appointed by the general meeting. The auditor's fee is also determined by the general meeting. The auditor attends board meetings where the accounts are considered. In addition, the board has an annual meeting on its own with the auditor.



Income statement


Amounts in NOK 1 000	Note	2013	2012
Total operating income	2	0	0
Total operating expenses	2,3,4	0	0
Financial income and expenses			
Other interest income		277	284
Net financial items		277	284
Profit before tax			
Tax on ordinary activities	8	436	73
Profit on ordinary activities		(159)	211
Net profit			
		(159)	211
Transfers:			
Allocated to other equity		(159)	211
Total transfers		(159)	211

Balance sheet


Amounts in NOK 1 000	Note	At 31 Dec 13	At 31 Dec 12
ASSETS			
INTANGIBLE ASSETS			
Deferred taxes	8	9 156	6 581
Total intangible assets		9 156	6 581
TANGIBLE ASSETS			
Land, buildings and other property	4	30 427	32 116
Operating equipment and fixtures	4	119 964	91 080
Total tangible assets		150 391	123 196
OTHER LONG-TERM RECEIVABLES			
Other receivables	3, 7	509 197	235 744
Total other long-term receivables		509 197	235 744
TOTAL FIXED ASSETS		668 744	365 521
CURRENT ASSETS			
RECEIVABLES			
Accounts receivable		75 537	61 249
Other receivables	10	13 829	22 105
Total current receivables		89 366	83 354
Bank deposits and cash	9	213 986	136 263
TOTAL CURRENT ASSETS		303 351	219 617
TOTAL ASSETS		972 095	585 138

Bygnes, 27 March 2014


Ottar Inge Rekdal
Chair


Mimi K Berdal
Deputy chair


Nina Schieldrup Lie
Director


Johan Einar Hustad
Director


Amounts in NOK 1 000	Note	At 31 Dec 13	At 31 Dec 12
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	5 827	5 986
Total retained earnings		5 827	5 986
TOTAL EQUITY		15 827	15 986
LIABILITIES			
Provisions			
Pension commitments	7, 10	510 395	227 241
Total provisions		510 395	227 241
Long-term liabilities			
Long-term interest-bearing debt		-	-
Total long-term liabilities		-	-
Current liabilities			
Accounts payable		17 463	55 468
Tax payable	8	3 011	5 083
Tax and other withholdings	9	24 486	25 259
Other current liabilities		400 914	256 101
Total current liabilities		445 874	341 912
TOTAL LIABILITIES		956 269	569 152
TOTAL EQUITY AND LIABILITIES		972 095	585 138



Terje Aven
Director



Silje Aamot Haga
Director*



Henny May Justad
Director*



Geir Hausken
Director*



Brian D Bjordal
President and CEO

*Elected by the employees

Cash flow statement

Amounts in NOK 1 000	2013	2012
Cash from operational activities		
Profit on ordinary activities before tax	277	284
Depreciation	24 454	25 080
Changes in accounts receivable	(14 288)	(9 648)
Changes in other current receivables	8 276	(11 254)
Changes in long-term receivables	(276 028)	(75 182)
Changes in accounts payable	(38 005)	5 268
Changes in long-term commitments	283 154	84 364
Changes in other current liabilities	141 531	56 292
Net cash from operational activities	129 371	75 205
Cash from investment activities		
Net additions/disposals of fixed assets	(51 649)	(52 495)
Net cash from investment activities	(51 649)	(52 495)
Cash from financial activities		
New loans raised	0	0
Redemption of long-term debt	0	(625)
Net cash from financial activities	0	(625)
Net changes in cash and cash equivalents	77 722	22 085
Cash and cash equivalents at 1 January	136 263	114 178
Cash and cash equivalents at 31 December	213 986	136 263

Notes

Note 1. Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles 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, France and the UK.

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 or 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, GBP).

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

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 include 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.

GASSCO AS
WAS FOUNDED: **14 MAY 2001**

Note 2. The company's income and expenses

The company's primary roles can 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 facilities and platforms pursuant to the Norwegian Petroleum Activities Act's provisions on operator responsibility. These duties are regulated in the operator agreements with the Gassled, Haltenpipe, Zeepipe Terminal and Dunkerque Terminal joint ventures, which own the infrastructure for transporting gas from the NCS. Gassco also carries out a number of study assignments for various government bodies and players on the NCS.

Gassco does not make a profit or a loss from its operations. All its expenses are accordingly covered by the licensees in relation to the normal operatorship and the gas transporters in relation to the special operatorship.

Other assignments are financed by the client which awards the assignment. Activities are thereby deemed to be performed on behalf of the clients and at their expense and risk, and costs related to Gassco's various assignments accordingly do not appear in the accounts for Gassco AS. A net presentation of this kind accords with practice at other operators, with the expenses of the operatorship divided between the owners. However, it provides very limited information on Gassco's total activities and area of responsibility. Gassco's accounts are accordingly presented here in accordance with the proportionate consolidation method.

INCOME STATEMENT

Amounts in NOK 1 000	Note	2013	2012
Operating income and expenses			
Normal operatorship		8 939 571	7 441 168
Special operatorship		302 201	287 858
Other assignments		422 907	615 166
Total operating income		9 664 679	8 344 192
Payroll costs	3	477 994	452 254
Depreciation on fixed assets, Gassco	4	24 454	25 080
Other expenses		9 162 231	7 866 857
Total operating expenses*		9 664 679	8 344 192
Financial income and expenses			
Other interest income		277	284
Net financial items		277	284
Profit before tax			
		277	284
Tax on ordinary activities	8	436	73
Profit on ordinary activities		(159)	211
Net profit			
		(159)	211

* See further specification of costs in the next table.

SPECIFICATION OF EXPENSES

Amounts in NOK 1 000

2013

2012

	2013	2012
NORMAL OPERATORSHIP		
GASSLED		
Operating expenses	4 937 689	4 920 104
- Kårstø processing plant	1 683 736	1 521 377
- Kollsnes processing plant	1 096 779	1 108 795
- Receiving terminals	625 070	644 678
- Platforms	587 322	681 582
- Pipelines	346 401	337 127
- Other	399 720	451 267
- Taxes	198 662	175 278
Operating investment	1 071 827	1 017 911
- Kårstø	526 113	391 453
- Kollsnes	320 220	279 221
- Receiving terminals	106 800	162 584
- Platforms	59 845	58 628
- Pipelines	51 371	106 067
- Other	7 479	19 957
Project investment	2 031 117	1 112 424
- KEP 2010	97 485	417 736
- GEP Emden	480 833	138 404
- B11 bypass	570 507	159 816
- CUP compressor upgrade	75 330	113 814
- BUP boiler upgrade	184 451	209 761
- Norne export riser	440 162	
- Kårstø investments	64 579	
- Remote PRS	108 627	
- Other	9 142	72 893
Removal costs	693 871	193 161
HALTENPIPE		
Operating expenses	60 600	56 673
Operating investment	162	259
ZEEPIPE TERMINAL		
Operating expenses	40 109	38 072
Operating investment	23 365	26 157
DUNKERQUE TERMINAL		
Operating expenses	57 354	54 313
Operating investment	23 479	22 093
TOTAL NORMAL OPERATORSHIP	8 939 571	7 441 167
SPECIAL OPERATORSHIP		
Operating expenses	270 152	259 088
Operating investments	32 050	28 770
TOTAL SPECIAL OPERATORSHIP	302 201	287 858
OTHER ASSIGNMENTS		
Investment projects, third parties	305 152	446 373
Study assignments, government	9 839	15 458
Studies and other assignments, third parties	107 915	153 335
TOTAL OTHER ASSIGNMENTS	422 907	615 166
GASSCO TOTAL EXPENSES	9 664 679	8 344 192

Notes

Gassco is also responsible for administering capacity available in the pipeline network and processing plants at any given time. On behalf of the owners of the transport systems, Gassco invoices all users on the NCS for the capacity booked on the basis of the applicable tariffs. Tariffs paid by the users are transferred immediately to the owners of the transport system.

TARIFF revenues

Amounts in NOK 1 000

	2013	2012
Gassled	24 295 148	23 693 826
Special operator	283 750	255 435
Haltenpipe	428 220	416 598
Zeepipe Terminal	157 462	195 623
Dunkerque Terminal	141 346	135 298
Total tariff revenues	25 305 926	24 696 780

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

Amounts in NOK 1 000

Payroll costs	2013	2012
Pay	292 204	275 659
Payroll tax	60 168	57 632
Pension costs (see note 7)	49 389	53 941
Other benefits	74 589	65 023
Total payroll costs	476 351	452 256
Work-years performed	362	359

Remuneration of senior staff in 2013

Amounts in NOK 1 000

Surname, forenames		Pay/ remu- neration ¹	Bonus ²	Other remu- neration ³	Pension costs ⁴	Total	Loan
Bjordal, Brian David	President and CEO	3 141	276	19	2 624	6 060	140
Lohne, Thor Otto	Executive vice president business development and finance	2 462	214	15	936	3 627	342
Thaule, Svein Birger	Executive vice president asset management	1 904	161	29	868	2 962	264
Hauge, Jan	Executive vice president system operation	1 624	137	21	638	2 420	-
Alcock, John	Executive vice president projects	1 489	124	16	587	2 216	271
Larsen, Kjell	Executive vice president public relations	1 214	99	27	354	1 694	289
Voll, Ingolf Kornelius	Executive vice president human resources	1 264	102	35	530	1 931	225
Lund, Trine	Controller	1 244	101	18	388	1 751	43
Svendsen, Torbjørn G	Executive vice president technology	1 424	118	30	618	2 190	555
Viksund, Randi I	Executive vice president HSE&Q	1 078	83	22	401	1 584	257

¹ Pay/remuneration + fixed overtime payment

² Bonus paid in 2012 based on results in 2011

³ Telephone, broadband, insurance etc.

⁴ Net present value of the year's earned pension

Remuneration of directors in 2013

Directors	Remuneration
Directors	1 647

Loans and security provided to:

	Loans	Security
Employees	68 293	0

Notes

DECLARATION ON SENIOR EXECUTIVE PAY FOR GASSCO

The basis of the principles for remuneration of senior executives is that Gassco should be able to attract and retain personnel with the knowledge and experience required by the company. Gassco's most important context is the upstream oil and gas industry in Norway. It will offer competitive terms in relation to this, but not be a pacesetter on pay.

Remuneration of senior executives will accord with legal provisions and guidelines as well as good corporate governance. It will be equitable and non-discriminatory, and based on the responsibility and authority of the post as well as individual performance.

In accordance with its guidelines, the board determines the pay and other conditions of the chief executive, while the latter determines the pay and benefits of the rest of the management team. A compensation committee comprising the chair, deputy chair and a director has been established. The executive vice president for human resources serves as the committee's secretariat. It prepares matters for the board and supports the board in its work on the chief executive's conditions of employment as well as the framework and principles for the conditions of employment of other employees, including bonus plans.

Gassco's remuneration system comprises basic pay, bonus, pension and insurance plans, and other benefits. Nobody in Gassco has agreements on pay after termination of their employment or severance pay.

The bonus plan can provide a bonus of up to 10 per cent if agreed targets are met. These targets comprise a common performance contract for all Gassco employees.

Pension and insurance plans for the management team are the same as for other Gassco employees. The main plan is a defined-benefit plan with an age limit of 67, where the full benefit of 66 per cent of basic pay is achieved after 30 years of earning. A funded plan has been established with an external pension company for pay up to 12 times the National Insurance base rate (G), while an unfunded plan financed from operations covers pay levels above 12G.

Gassco also has an early retirement plan financed from operations covering all employees born in 1953 or earlier. This provides a pension of 66 per cent of basic pay from the age of 62 with full pension earning. The pension plan includes survivor and child pensions. Employer's liability insurance covers permanent injury, permanent disability and death. An all-year travel insurance policy is also in place, covering both business and private travel.

Under his contract of employment, the chief executive has the right to retire on 66 per cent of his basic pay upon reaching the age of 62. Other benefits include payments in kind such as free phone, broadband and personal insurance. Gassco also offers all employees interest-free loans of up to NOK 600 000 with a term of 12 years.

New guidelines on conditions of employment for senior executives in state-owned companies were introduced on 1 April 2011. These replace the guidelines established on 8 December 2006. According to the guidelines, "that part of pension benefits which rests on a pension base in excess of 12G must be organised as a defined-contribution plan, with the contribution limited to a maximum of 30 per cent of basic pay in excess of 12G. Defined-contribution pension payments must be made to a separate legal entity separate from the undertaking with binding effect. Apart from a possible defined-benefit plan confined to a pension base up to 12G, undertakings will no longer be liable for any payment of pension benefits when an executive ceases to be employed by the undertaking." As mentioned above, Gassco has an unfunded defined-benefit pension plan for pay above 12G. Gassco's pension plan is a continuation of Statoil's pension plan in connection with the business transfer on 1 January 2002 – in other words, before the guidelines came into effect. The pension plan covers all employees in the company whose pay exceeds 12G and is not confined to senior executives. Gassco has established pension plans which are the same for all employees.

The Ministry of Petroleum and Energy wrote a letter to the chairs of state-owned companies on 13 June 2013 in which it called attention to the above-mentioned guidelines on pension benefits. The ministry referred to the work currently under way concerning new pension systems, and wrote that: "Until new regulations for occupational pensions have been adopted and possible products for contributory pension plans at pay levels above 12G become available in the market, however, the government as owner will accept that the companies finance such pension plans from operations." Gassco notes that new legislation concerning new occupational pensions and changes to contributory pensions has come into force, but it has not for the moment seen products available for contributory pension plans at pay levels above 12G.

Gassco has started work on a collective review of its pension plans. This will examine all aspects of the pension plans and take account of the pension reform, the government's guidelines for senior executive pay, new provisions on occupational pensions and industry practice at companies comparable to Gassco. This is an extensive and complicated job, which requires many considerations to be weighed against each other. An assessment must be made of how far it would be appropriate to implement all the changes simultaneously or whether this should be done in several rounds. The unions are involved in the work of the pension review. The goal is to tailor the pension plans to take account of other players in the industry and of the indications that changes will be made to pension legislation.

Notes

Auditor

NOK 1 045 155 was charged in 2013 as fees to Deloitte AS for auditing Gassco and the licences operated by the company. NOK 228 730 was recorded as fees for other services. Deloitte Advokater AS also delivered services totalling NOK 15 970 which largely related to tax reviews. NOK 919 468 was recorded in 2013 as fees for other services supplied by collaborating companies abroad. Of this amount, NOK 675 704 related to auditing of branches and terminals abroad and the remainder to VAT and local tax reviews.

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 13	46 267	220 171	266 439
Additions 2013	556	51 035	51 590
Disposals 2013	-	(18 224)	(18 224)
Conversion difference	-	465	465
Acquisition cost 31 Dec 13	46 823	253 447	300 270
Accumulated depreciation 31 Dec 13	16 396	133 482	149 879
Book value 31 Dec 13	30 427	119 964	150 391
Depreciation 2013	2 245	22 209	24 454
Economic lifetime	5,50 years	3,5,7,8 and 10 years	
Depreciation plan	Linear/none	Linear	

Note 5. Share capital and shareholder information

The share capital of the company at 31 December 2013 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

Notes

Note 6. Equity

Amounts in NOK 1 000	Share capital	Other equity	Total equity
Equity 1 Jan 13	10 000	5 986	15 986
Year's change in equity			
Net profit		(159)	(159)
Equity 31 Dec 13	10 000	5 827	15 827

Note 7. Pension costs, funds and commitments

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

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 IAS 19 Employee benefits, the company posted the pension commitment at 31 December 2013 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.

The table below shows pension cost plus funds and commitment pursuant to the Norwegian Accounting Standards for Pensions (NRSP).

Amounts in NOK 1 000	2013	2012
For employees in Norway		
Present value of pension earning for the year	72 200	61 045
Interest cost of pension commitment	13 343	16 792
Reduction/settlement		0
Return on pension funds		(7 311)
Administration costs		
Recorded implementation effect	0	0
Recorded estimate loss/(gain)		20 385
Net pension cost	85 543	90 910

The company also has an agreement on early retirement (AFP). The new AFP scheme, which applies from 1 January 2011, is to be regarded as a defined-benefit multi-company plan, but will be treated in the accounts as a defined-contribution plan until reliable and adequate information is available which allows the group to account for its proportionate share of the pension costs, liability and funds in the scheme. As a result, the company's liability is not recognised as debt in the balance sheet.

Notes

Amounts in NOK 1 000

2012	Secured (collective)	Unsecured (early retirement)	Other unsecured	Total
Earned pension commitments	668 915	242	142 565	811 721
Pension funds (at fair value)	(227 600)		0	(227 600)
Unrecorded effect of estimate changes	(337 890)	(62)	(71 470)	(409 422)
Net pension commitment	103 425	180	71 095	174 699

Amounts in NOK 1 000

2013	Secured (collective)	Unsecured (early retirement)	Other unsecured	Total
Earned pension commitments	567 576	23	144 181	711 780
Pension funds (at fair value)	(270 000)	0		(270 000)
Unrecorded effect of estimate changes	0			0
Net pension commitment	297 576	23	144 181	441 780

The company has amended its treatment of estimate changes in accordance with the revision to IAS 19. Furthermore, the discount rate has been changed from government bonds to corporate bonds, with a positive effect of about NOK 165 million.

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

Economic assumptions	2013	2012
Discount rate	4.10%	2.30%
Expected return on pension funds	4.10%	2.30%
Expected pay growth	3.75%	3.50%
Expected adjustment to current pensions	3.50%	3.25%
Expected change in National Insurance base rate (G)	3.50%	3.25%

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 2013 satisfied local requirements.

Amounts in NOK 1 000

For employees in Belgium	2013	2012
Present value of pension earning for the year	3 177	2 042
Interest cost of pension commitment	2 138	1 819
Return on pension funds	(1 509)	(1 565)
Administration costs	260	
Recorded implementation effect		
Recorded estimate loss/(gain)		
Net pension cost	4 066	2 295

Amounts in NOK 1 000

Secured	2013	2012
Earned pension commitments	72 810	56 514
Pension funds (at fair value)	(54 713)	(41 650)
Unrecorded effect of estimate changes	0	(8 938)
Net pension commitment	18 097	5 925

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

Economic assumptions	2013	2012
Discount rate	3.00%	3.00%
Expected return on pension funds	3.00%	2.91%
Expected pay growth	2.00%	4.00%
Expected adjustment to current pensions	2.00%	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 pension plans which comply with local requirements.

For employees in the UK

Employees in the UK have defined-contribution pension plans which comply with local requirements.

Notes

Employees in Germany have various defined-benefit pension plans.

Amounts in NOK 1 000

For employees in Germany	2012	2011
Present value of pension earning for the year	8 707	5 143
Interest cost of pension commitment	4 959	4 245
Return on pension funds		0
Administration costs		0
Recorded implementation effect		0
Recorded estimate loss/(gain)	(463)	0
Net pension cost	13 203	9 388

Amounts in NOK 1 000

Secured	2013	2012
Earned pension commitments	161 552	132 076
Pension funds (at fair value)	(111 037)	(85 460)
Unrecorded effect of estimate changes		
Net pension commitment	50 515	46 616

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

Economic assumptions	2013	2012
Discount rate	3.30%	3.30%
Expected return on pension funds	0.00%	0.00%
Expected pay growth	3.00%	3.00%
Expected adjustment to current pensions	2.00%	2.00%

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

Notes

Note 8. Income taxes

Beløp i 1 000 NOK

Taxes for the year are as follows	2 013	2 012
Tax payable	3 011	5 083
Changes in deferred tax	(2 575)	(5 010)
Tax on ordinary profit	436	73
Tax payable	2 013	2 012
Tax payable in balance sheet	3 011	5 083
Reconciliation from nominal to effective tax rate	2 013	2 012
Ordinary profit before tax	277	284
Extraordinary profit before tax	0	0
Profit for the year before tax	277	284
Calculated income tax at nominal tax rate (28%)	78	80
Fiscal effect of the following items		
Tax effect on net refund under incentive scheme for R&D (Skattefunn)	(49)	(55)
Non-deductible cost, part of pension cost	64	51
Changed tax rate, deferred tax benefit	339	0
Non-taxable income, interest on tax receivable	5	(2)
Tax	436	73
Effective tax rate	157%	26%

Specification of temporary differences and their net tax effect

	2013		2012	
	Benefit	Obligation	Benefit	Obligation
Temporary differences, operating equipment	8 852		6 451	
Unfunded pension	25 058		17 053	
Total	33 910	0	23 504	0
Deferred tax benefit/obligation	9 156		6 581	
Uncapitalised deferred tax benefit	0	0	0	0
Net deferred tax benefit/obligation in the balance sheet	9 156	0	6 581	0



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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Gassco AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Gassco AS, which comprise the balance sheet as at 31.12.2013, and the income statement, showing a loss of NOK 159.169 and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Gassco AS as at 31.12.2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Haugesund, 27th of March 2014
Deloitte AS

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

[Translation has been made for information purposes only]

