



## ANNUAL REPORT 2016

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# 1 FROM NATURAL RESOURCES TO PROSPERITY

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**FRODE LEVERSUND.**  
President and CEO.

The year 2016 proved eventful and complex for us. More gas than ever before was delivered to Europe, and we opened a new terminal for Norwegian gas in Germany. At the same time, our industry is under constant pressure. We have also been through a year of big reorganisations.



Emden, Germany.

Constructing a new terminal for Norwegian gas deliveries in Germany has been one of the most important jobs we have undertaken as operator. I am therefore incredibly proud to report that it was completed on schedule and below the original budget. My feeling for this project is one of considerable respect and admiration.

More than 20 years of service in various positions in the petroleum industry mean that I know how much hard work underlies that simple sentence: the project has been delivered on time and to budget. Meeting the targets for such a complex industrial project cannot be taken for granted. It calls for detailed planning and the ability to handle the challenges – technical, commercial and related to health, safety and the environment – which always arise along the way in a big construction project.

Our industry is changing and under challenge, and Norwegian safety history is written every day. Major accident risk is at the top of our agenda, and our most important tool is performance-based monitoring of barriers to provide a good picture of the technical condition of pipelines and plants. It is crucial that we actively search for and develop the robust solutions which mean we always have the safety margins needed to deal with unforeseen incidents. Hazards must be identified and handled efficiently, with adequate time and resources to hand.

A gas leak larger than 0.1 kilograms per second was registered at Kårstø in January. This shows that we and our partners have an improvement potential, and that we must have our guard up at all times.

At the same time, we see that our overall CO<sub>2</sub> emissions are declining. This is particularly clear at Kårstø, where emissions per unit produced have been reduced with the aid of operational changes and optimisation. That is gratifying, and shows that expertise and knowledge yield results. We have also established key performance indicators (KPIs) for the climate and our climate strategy. I am convinced these measures will strengthen our competitiveness in the long term.

The turnarounds in 2016 were wide-ranging, and involved both the use of alternative export routes and coordinated halts to gas deliveries from a number of fields. Good planning and close collaboration with field operators, plants, transport system users and downstream players were crucial. The result is well maintained facilities which can create value for a long time to come.

A major upgrading project is also under way at Kårstø, with completion scheduled for 2018. The aim is to maintain the plant's integrity and thereby to safeguard gas deliveries to Europe. It is also gratifying that we increased capacity from 88 to 93.7 million standard cubic metres per day (scm/d) in 2016.

One of our goals as operator is to run the integrated transport system for Norwegian gas with the highest possible regularity, so that customers in Europe enjoy secure and reliable gas deliveries.

**We achieved a regularity  
of no less than**

**99.71**

percent for the transport system in 2016, compared with 99.38 percent the year before. The curve is pointing the right way, even in a year with extensive maintenance.

Naturally, these good results are not achieved without a solid commitment by and important contributions from many people, both in our own ranks and at our partners.

We experienced major internal changes during 2016, with a new management team, new vision, new values and new ways of working. The emphasis is on results as well as the way work is done. At the same time, our priorities remain unchanged – safe operation and reliable deliveries to Europe.

We have been commissioned to study ship transport of CO<sub>2</sub> from capture locations in eastern Norway to a storage site on the west coast. Providing the government and the industry with a solid decision base will be crucial for success with CO<sub>2</sub> transport and full-scale carbon capture and storage in Norway, which will in turn make an important contribution to meeting the climate goals in the Paris agreement.

The year was characterised for us by preparations to transfer the operatorships for the Nyhamna process plant and the Polarled pipeline. Nyhamna was originally built as the onshore plant for Ormen Lange, with opportunities to tie in other fields later. It was therefore enshrined as early as the Storting (parliamentary) approval for Ormen Lange and Nyhamna in 2004 that we could step in as the neutral operator in the event that gas from other fields was to be landed in the future.

The expansion project which equips Nyhamna to receive third-party gas through Polarled is due to be completed in the third quarter of 2017. We have also been responsible for implementing the commercial process for the future ownership structure of Polarled and Nyhamna. At the same time, detailed operational preparations have been made, so that everything is in place for a good and orderly transfer of the operatorships.

Norwegian gas occupies a strong position in Europe's energy mix, and that will remain unchanged for a long time to come. Europe needs more gas in combination with renewable energy to reach its climate goals. Norwegian gas sales totalled NOK 160 billion in 2016. Each krone our industry generates makes an important contribution to safeguarding national well-being. We convert natural resources to prosperity. Let us stick to this in the future as well.



## 2 DIRECTORS' REPORT

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### Introduction

Gassco is a limited company owned by the Norwegian state. It operates the integrated gas transport system from the Norwegian continental shelf (NCS) to European countries. This network comprises pipelines, process facilities, platforms and gas 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.

Operating parameters 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 exercise as a government authority of duties allocated to Gassco pursuant to the Norwegian Petroleum Act and associated regulations. It covers system operation, capacity management and infrastructure development. The normal operatorship refers to the technical operation of process plants, pipelines, platforms and terminals pursuant to the Norwegian Petroleum Act's provisions on operator responsibility. These duties are further regulated by agreements with the Gassled, Zeepipe Terminal, Dunkerque Terminal DA, Valemon Rich Gas Pipeline, Utsira High Gas Pipeline, Knarr Gas Pipeline and Haltenpipe joint ventures.

Gassco has entered into agreements with Statoil and North Sea Midstream Partners on the purchase of technical operating services for pipelines, gas terminals, platforms and process plants. Gassco does not make a profit or a loss from its operations. Its costs are met by the joint ventures, the users and third parties. This means that its economic and financial risks are very limited.

## Gassco's strategic goals

- Safe, reliable and efficient operation – 24/7.
- Reduce climate impact through sustainable operation and business development.
- Maintain high Norwegian gas exports beyond 2030.
- Efficient organisation of the NCS infrastructure.

The management system 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, sport and environmental diversity 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 which correspond to Gassco requirements, 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, from publicly available sources and from the Achilles supplier network. Possible conditions identified will have consequences for the supplier's participation in the tendering process.

## Organisation

After Frode Leversund took office as the new CEO on 1 October 2015, a working group was appointed to produce proposals for changes to the company's organisation. Under the working title of Gassco 2016, simplification, renewal and long-term provided the overall guidelines for gaining an understanding of the changes required to the company's internal structure. The new organisation was considered by the board, the management group and internal management/employee collaboration bodies before being implemented on 29 March 2016.

It comprises three business areas – asset management, system operation, and development and innovation – and three staff and support functions. The latter are finance and improvement processes, safety and quality, and human resources (HR) and communication. The biggest change is that the technology unit has been reorganised and incorporated in the various business areas.

Because the project portfolio had decreased as a result of lower activity in the industry and restructuring, the company was found to be overstaffed. Twenty-one agreements on early retirement were accordingly entered into, corresponding to about 10 per cent of staffing in Gassco Norway.

The company has also updated both its vision and its values base.

## Gassco's vision: "Gassco – securing energy supply"

**Gassco's  
values base:  
"Gassco – on TRACK"**

**T** – Transparent  
**R** – Respectful  
**A** – Accountable  
**C** – Challenging  
**K** – Knowledgeable

- › Gassco had 349 permanent employees at 31 December 2016, including 142 at the gas terminals in continental Europe and the UK. The
- › company currently has two office trainees in Norway and one IT/office trainee in Germany.

## Equal opportunities and anti-discrimination

The company's human resources policy is gender-neutral and meets its goals for equality of opportunity, diversity and continuous organisational development. 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 25 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, including for 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 2016.



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 2016. Sickness absence during the year was 2.55 per cent for the whole business.

The company's management system covers such aspects as reporting, investigating and following up incidents and non-conformities. This work 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. Gassco developed its own learning tool – Sharing of Lessons Learnt – in 2016, and this will be adopted during 2017.

Gassco worked purposefully in 2016 to identify, follow up and implement measures in the wake of incidents. The frequency of incidents defined as critical increased slightly from 2015 to 2016, when five such events occurred compared with seven in 2015 and one in 2014. The critical incidents in 2016 caused no serious personal injury, but have been classified as critical because insignificant changes in the circumstances could have led to more serious harm. In other words, the potential of the incidents was regarded as serious. Two of the critical incidents related to dropped objects. The other three concerned a gas leak at Kårstø, work on a pressurised system, and a person who consumed food they were allergic to. Gassco investigated and/or dealt with all five incidents.

The personal injury frequency for Gassco's operator area in 2016 was 2.6, which represented a slight increase from 2015. The board wants to see systematic improvement work in the HSE field to reach the goal of zero personal injuries in 2017.

Two gas leaks larger than 0.1 kg/s were recorded in 2016. Gassco registered no fires within its operator area during the year. Two chemical discharges occurred, but were classified as less serious. These accidental discharges were subject to detailed reviews in order to prevent similar escapes in future.

HEALTH AND SAFETY RESULTS	Results 2016	Results 2015
Deaths	0	0
Personal injuries in total	11	13
Lost-time injuries	7	4
Fires	0	0
Gas leaks	2	0
Critical incidents	5	7*
Unlicensed emissions/discharges	0	0
Accidental discharges, oil/chemicals	2	2

\* The incident at Kollsnes on 27 December 2015 involving overpressurisation in the recompression system was finally classified on 2 June 2016 with the publication of the investigation report.



Supervision in the form of audits, verifications and management inspections plays an important role in Gassco's follow-up of its business. The company is also subject to control by official regulators and the Gassled joint venture. Such supervision provides lessons for further improvement. Gassco was issued with an order in 2016 by the Petroleum Safety Authority Norway concerning improvements to work on and operation of electrical installations at Kårstø. The board wants to see active efforts made to close out identified measures related to nonconformities and improvement points.

An important component in Gassco is its emergency response organisation. The response organisation at Bygnes held and participated in 10 exercises during 2016. These drills demonstrated that Gassco has a robust and well-functioning emergency response organisation.



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 which have a major accident potential, with special emphasis given to the safety of processes and people.

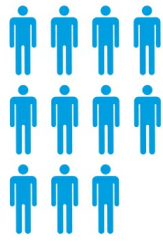
Risk management plays a key role in Gassco's management processes and is utilised throughout the business in decision processes and development projects. The board initiated work in 2016 on revising risk management methodology and tools, and the results will be implemented in the organisation during 2017. All process plants, gas terminals and platforms were operated in accordance with applicable emission/discharge permits in 2016. The company was awarded 945 767 emission allowances in 2016, and purchased 378 086. Each allowance corresponds to the emission of one tonne of CO<sub>2</sub>.

EMISSIONS/DISCHARGES TO THE NATURAL ENVIRONMENT		Emissions 2016	Emissions 2015
	Nitrogen oxides	<b>841.7 tonnes</b>	896.7 tonnes
To the air	Carbon dioxide	<b>1 290 kilotonnes</b>	1 369 kilotonnes
	Safety flaring	<b>24.7 kilotonnes</b>	27.9 kilotonnes
To water	Oil	<b>171 kilograms</b>	138 kilograms
	TOC	<b>5 493 kilograms</b>	3 868 kilograms
To soil/water	Accidental discharges, oil/chemicals	<b>1 530 litres</b>	342 litres

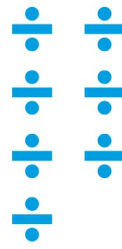
DEATHS

**0**

PERSONAL INJURIES



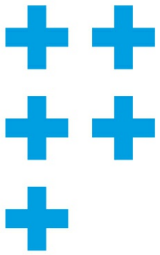
LOST-TIME INJURIES



FIRES

**0**

CRITICAL INCIDENTS



GAS LEAKS

**2**

ACCIDENTAL DISCHARGES OIL/CHEMICALS



UNLICENSED EMISSIONS/DISCHARGES

**0**

EMISSIONS TO THE AIR

NO<sub>x</sub> 841.7 T  
CO<sub>2</sub> 1 290 KT  
FLARING FOR SAFETY REASONS 24.7 KT

DISCHARGES TO WATER

171 KG OIL  
5 493 KG TOC

DISCHARGES TO SOIL/WATER

1 530 L

## Operation of the gas transport system

Natural gas deliveries from the Norwegian gas transport system to Europe came to 108.56 billion scm in 2016, compared with 108.4 billion scm the year before. Gas deliveries through the Gassco-operated system thereby set a new annual record in 2016. Total deliverability was 99.71 per cent, compared with 99.38 in 2015. The board is extremely pleased with the high production availability and regularity achieved by the whole gas transport system in 2016.

Vessel traffic, which includes shipment of 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 676 ship calls were recorded at Kårstø during the year, without giving rise to any incidents of significance for gas transport.

The transport network has a built-in flexibility which makes it possible to compensate for production disruptions on fields, at process 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, delivering with almost 100 per cent availability in the market has become more demanding.

<b>GAS TRANSPORT</b>	<b>2016</b>	<b>2015</b>
Deliverability (%)	<b>99.71</b>	99.38
Quality (%)	<b>99.98</b>	99.98
Gas delivered to terminals in Europe (billion scm)	<b>108.6</b>	108.4
Highest delivery per day (million scm)	<b>358.3</b>	365.3
Average gross calorific value (kWh/scm)	<b>10.9</b>	10.91
Total volume other products delivered from the gas transport system (million tonnes)	<b>10.0</b>	9.64

Operating costs for the gas transport system have been cut in recent years. The total figure for 2016 came to NOK 3 845 million, compared with the target of NOK 4 064 million. Improvements to the expense of operating the gas transport system thereby contribute to cost cuts and value creation on the NCS.

## Development of the gas infrastructure

The new receiving terminal in Emden was completed by the Gassco Emden Project (GEP) and became operational in 2016. A total cost of roughly NOK 3.6 billion was well below the original estimate.

Removal of the B11 compression platform on the Norpipe pipeline to Germany was completed in 2016.

Upgrading of the Kalstø landfall facility, where the Statpipe, Sleipner Condensate and Åsgard Transport pipelines come ashore, reached mechanical completion in the autumn of 2016.

The decision was taken to upgrade the fire water and blowdown systems as well as two boilers at Kårstø, at an estimated overall cost of NOK 859 million.

Capacity at Kårstø was boosted from 88 million scm/d to 93.7 million scm/d in 2016. A further increase is under consideration, since demand still exceeds the additional capacity. Furthermore, the inlet facilities for the Kvitebjørn gas pipeline have been modified. This has increased capacity, and 32 million scm/d have been made available for booking.

Two subsea tie-ins are under way, one to the Zeepipe IIA pipeline for the Gina Krog field and the other to the Statpipe pipeline for gas export from the Johan Sverdrup field to Kårstø.

In the Polarled project, which comprises a pipeline from the Aasta Hansteen field to Nyhamna and modifications to process facilities at the latter, Gassco is responsible for operational preparations and for facilitating the commercial process to clarify the future ownership structure for Nyhamna and Polarled. Work is underway to prepare for Gassco's takeover of operator responsibility for the Nyhamna plant and the Polarled pipeline in 2017. As part of this activity, the ownership structure for the Nyhamna facilities and the Polarled pipeline must be clarified along with adjustments to the associated agreements. The Ministry of Petroleum and Energy is expected to issue a consultation documentation in the near future on incorporation of Nyhamna and Polarled in the tariff regulations.

The Ministry of Petroleum and Energy issued a consultation document on 30 June 2016 with a proposal to incorporate Vestprosess in the tariff regulations. Vestprosess is a facility which treats NGL from fields connected to the Kollsnes plant and the Sture terminal, and fractionates the NGL into various components which are either used at Mongstad or shipped out from there. The consultation document proposes that Gassco takes over as operator for Vestprosess from 1 January 2018. Work is under way to establish a transport agreement for Vestprosess and to prepare the transfer of the operatorship.

Plans for development and operation (PDO) for five fields were submitted to the Ministry of Petroleum and Energy in 2016: Trestakk, Utgard, Byrding, Dvalin and Oda. Gassco has assessed transport solutions for these fields in order to ensure the best solution for the NCS. The company has also assessed transport solutions for the gas resources in Krafla, Skarfjell, Snilehorn and Pil in connection with the choice of concept for these.

Gassco conducts analyses and prepares annual transport plans, which assess future requirements for developing transport capacity on the basis of user needs. These plans show that the gas infrastructure is expected to be well utilised over the next decade.

Feasibility studies for ship transport of CO<sub>2</sub> were conducted by Gassco in 2016 on behalf of the Ministry of Petroleum and Energy.

Conceptual studies of CO<sub>2</sub> transport by sea are due to be conducted in 2017. Gassco is collaborating closely with Gassnova on this work.

## Research and development

Gassco's priority areas for R&D have been pipeline technology, the process and receiving facilities, gas quality and capacity. A total of NOK 65 million was devoted to these activities in 2016.

**The R&D strategy adopted in 2015 forms the basis for managing the portfolio of research projects, with the following strategic areas:**

- a flexible transport system
- effective integrity management
- forward-looking technology
- energy and the climate.

### Key R&D activities in 2016

- A study on reducing requirements for gas quality specifications in upstream rich-gas systems in order to meet future volumes.
- A project for extending the useful life of gas dewatering equipment in the receiving facility at Kårstø.
- A project to deliver technology and solutions for metering gas quantity and quality on the seabed.
- The Snake Arm robot solution was used for the first time in internal inspection of two pressure tanks during the turnaround at Kårstø in the autumn of 2016.

## Share capital and shareholders

The company's share capital at 31 December 2016 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 allocation

The net profit was NOK 751 971. This will be transferred to other equity, which amounted to NOK 15 248 350 at 31 December 2016.

The company has been accorded exemption from capital and income taxes pursuant to section 2-32, paragraph one of the Norwegian Taxation Act. Tax expense in the financial statements therefore comprises the expensing of previously capitalised deferred tax benefit and the recording of the entitlement to tax refunds as income.

The total balance sheet at 31 December 2016 was NOK 1 484 million and the company had liquid assets through bank deposits of NOK 339 million at the same date.

Gassco is organised so that the company does not make a profit or a loss from its operations. On that basis, market, liquidity and credit risk is considered to be low.

Pursuant to section 3-3a 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 cover about 25 per cent of Europe's total gas consumption, on a par with Russian gas deliveries to Europe.

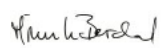
Norwegian gas is important for European energy supply and will continue to occupy a key place in Europe's security of supply for a long time to come. Europe is expected to require gas in 2035 corresponding to four times today's production capacity on the NCS in order to reach the climate goals it has set.

While energy consumption in Europe is set to increase, its impact on the climate must be reduced. Greenhouse gas emissions from Norwegian gas transport are low compared with its competitors, but continued efforts to reduce the climate footprint and improve energy utilisation at all levels are important.

Delivering Norwegian natural gas to the European market on competitive terms and with high regularity remains important. Gassco's role will be to contribute to maximising value creation on the NCS by facilitating cost-effective transport solutions.

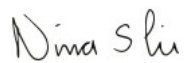
According to the NPD, only a third of Norway's estimated gas resources have been produced. New forecasts show that the level of deliveries will remain high in the long term, and a further third of the resources are expected to be produced over the next 20 years. Annual deliveries are accordingly likely to be somewhat below the present level up to 2035. After that year, a third of Norwegian resources should still remain for production.

About 80 per cent of the undiscovered gas resources are expected to lie in the Norwegian and Barents Seas. In order to keep gas production from the NCS high over the long term, further development of the gas transport system will be needed. The first step is the Polarled pipeline, which opens up a new area of the NCS and helps to encourage increased exploration activity in the Norwegian Sea. Furthermore, expectations for resources in the Barents Sea are great. A coordinated development of the Barents Sea will be important for establishing new transport solutions for the area, so that its resource potential can be realised.



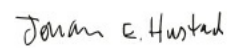
**Mimi K Berdal**

Chair



**Nina Schieldrop Lie**

Director



**Johan Einar Hustad**

Director



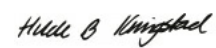
**Arvid Grundekjøn**

Director



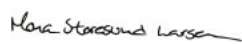
**Tor Rasmus Skjærpe**

Director




**Hilde Berge Kringstad**

Director\*



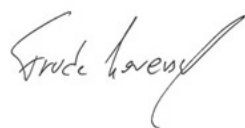
**Mona Storesund Larsen**

Director\*



**Brynjar Aardal**

Director\*



**Frode Leversund**

President and CEO

\*Elected by the employees

JAN MAYEN







## BOARD OF DIRECTORS

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### **Mimi K Berdal**

Chair (born 1959). With a background as a lawyer, she currently runs her own business. Berdal previously served as a legal advisor with Total Norge, and as a partner in the Arntzen de Besche law firm. She also has broad experience of boardroom work in and as the chair of listed and private companies covering various sectors. Berdal has been a director since 2007.



### **Nina Schieldrop Lie**

Director (born 1962). She graduated from the Norwegian School of Economics (NHH) and also has an executive MBA in financial management and leadership from the same institution. She is senior adviser at DNB Konserninvesteringer and 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 ASA. Lie holds a number of directorships in such sectors as finance, technology and energy. She 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. 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. Hustad has been a director since 2012.



**Arvid Grundekjøn**

Director (born 1955). He is a lawyer and an MSc in business economics from the NHH, with the PMD executive programme at Harvard Business School. Grundekjøn has been CEO of the Awillhelmsen group and has experience as the chair of private and listed companies in several countries, including Statkraft, Norwegian Property, Creati Estate, Infima, Qva Data BV and Gildhall. He is now a private investor with a number of directorships. Grundekjøn has been a director since 2016.



**Tor Rasmus Skjærpe**

Director (born 1950). He graduated as a petroleum engineer from the NTNU and is currently a consultant in the oil and gas sector. Skjærpe was with the Proactima consultancy in 2014-16, where he delivered services related to leadership as well as risk and management systems. He has previously held various executive position with Petoro and Norsk Hydro in operations, technology, licence management and strategy. Skjærpe has been a director since 2016.



**Hilde Berge Kringstad**

Worker director (born 1977). She is a senior engineer in capacity administration at Gassco AS and head of the Gassco branch of the Norwegian Society of Engineers and Technologists (Nito). Kringstad has been a director since 2014.



**Mona Storesund Larsen**

Worker director (born 1983). She is a senior financial officer at Gassco AS and head of the Gassco branch of the Norwegian Union of Industry and Energy Workers (IE). Storesund Larsen has been a director since 2016.



**Brynjar Aardal**

Worker director (born 1981). He is a principal engineer in Gassco AS and head of the Gassco branch of the Norwegian Society of Graduate Technical and Scientific Professionals (Tekna). Aardal has been a director since 2016.



### 3 CORPORATE GOVERNANCE

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#### 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 group. 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 therefore 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, ethical and socially responsible manner.

#### Gassco's vision

"Gassco – securing energy supply"

#### Gassco's values base

"Gassco – on TRACK"

T – Transparent

R – Respectful

A – Accountable

C – Challenging

K – Knowledgeable

## Gassco's business

The company's business purpose, as described in its articles of association, is to operate transport systems for natural gas on and from the NCS, including pipelines, platforms, process facilities and gas 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 40 years. Owners and users of the gas transport systems are mainly large global players in the oil and gas industry as well as major investment companies.

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 gas transport systems Gassled, Zeepipe Terminal, Dunkerque Terminal DA, Haltenpipe, the Valemon Rich Gas Pipeline, the Utsira High Gas Pipeline and the Knarr Gas Pipeline. The company is subject to the authority of the owners to issue instructions pursuant to the operator agreements. Each partnership has a management committee (MC) which can establish sub-committees, such as the operating committee (OC) and project committee (PC). These can be given mandates as required.

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 and North Sea Midstream Partners for this type of service.

The special operatorship covers the exercise as a government authority of duties assigned to Gassco pursuant to the Petroleum Act and chapter 9 of the petroleum regulations. The transport system owners have no right to issue instructions in respect of these duties. The special operatorship covers system operation, capacity administration and infrastructure development.

System operation covers planning, monitoring, coordinating, managing and following up product flows from the fields through the integrated transport network to the gas terminals.

Capacity administration involves the determination of physical capacity in the pipeline network and the allocation of transport capacity in the pipeline systems. The allocation of transport capacity involves entering into transport contracts on behalf of the owners.

Infrastructure development includes studies and development projects in the Norwegian gas pipeline network. Gassco is required to assess the continued development of the upstream gas pipeline network with a view to achieving integrated transport solutions for the petroleum sector. In that context, the company 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 investor groups which wish to have an infrastructure project investigated in more detail.

The Infrastructure Advisory Board (IAB), the Operating Forum and the NGL Forum have been established to look after user interests. They consider such matters as work programmes and budgets for the special operatorship. The IAB provides an arena where owners and users can discuss relevant issues concerning operational and strategic topics related to continued development of the infrastructure.



## Gassco's strategic goals

- Safe, reliable and efficient operation – 24/7.
- Reduce climate impact through sustainable operation and business development.
- Maintain high Norwegian gas exports beyond 2030.
- Efficient organisation of the NCS infrastructure.

## General meeting

The general meeting is the company's highest authority. The minister of petroleum and energy acts 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, determines the application of net profit or coverage of net loss, and elects the company's auditor as well as determining the auditor's fee. The general meeting also elects directors and ensures that, overall, the board has appropriate and adequate expertise, capacity and diversity. Women accounted in 2016 for 40 per cent of directors elected by the general meeting. Apart from the owner, the AGM is attended by the directors, the chief executive and the auditor. The oil and gas department of the Ministry of Petroleum and Energy is responsible for day-to-day supervision of Gassco.

## Corporate assembly and board of directors



### **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 elected by the general meeting has separate assignments for the company in addition to their directorship. No alternates are elected for these directors, nor do they have a pension plan or a pay guarantee agreement. None of the directors owns shares in the company. Directors are elected for up to 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 articles of association, the ethical guidelines, the procedure for corporate social responsibility (CSR), the instructions for the board, the compensation committee and the chief executive, and the authority matrix for the company.

The chief executive is not a director. A power of attorney on behalf of the company has been awarded to the chief executive and to the heads of the German, Belgian/French and UK terminals.

## Work of the board

The board ensures an acceptable organisation of the business. It is responsible for establishing control systems and for ensuring that the business is pursued in accordance with the company's values base and guidelines on ethics and CSR.

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. The board determines strategy, performance indicators, budgets, accounts and other important issues on the basis of proposals from the chief executive, who is responsible for day-to-day management of the company. The board can also put items for decision or information on its agenda at its own initiative.

Five to eight board meetings are usually held every year, plus a strategy meeting. The board is also kept informed about the business through regular reporting between meetings. A special portal has been established to provide directors with information. The chair can call extraordinary meetings as required.

Five board meetings and one board seminar were held in 2016, and attendance was 90 per cent.

A decision matrix and a schedule have been prepared for the board, which specifies its role in relation to the various issues. The board evaluates its work and competence on an annual basis.

## Compensation committee

The board has established a compensation committee. Its role is to prepare matters for the board which concern the conditions of employment for the CEO, the frameworks and principles governing such terms for other employees (including bonus plans) and other conditions relating to remuneration, supplementary benefits, incentive models and pension terms in the company. The committee comprises three directors who are appointed by the general meeting. It is chaired by the chair of the board or one of the other committee members appointed by the board. Instructions have been prepared for the appointment and work of the compensation committee, and have been adopted by the board.

## Audit committee

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 board conducts a special review with the external auditor in connection with the annual audit.

## Risk management and internal control

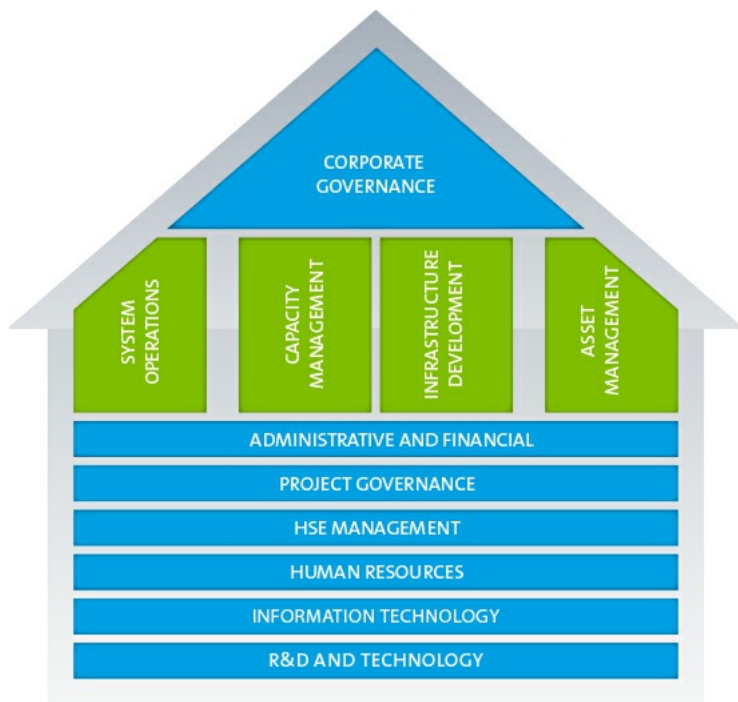
Management and control are exercised through various processes which involve one or more of the company's governing bodies. The shareholder's management and control of the business are exercised through annual and extraordinary general meetings. The board ensures that the company is run in accordance with its strategy and objectives through board meetings and periodic reporting from the company. Gassco's 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. The established management principles are intended to secure good operation and control of the business. These principles are adjusted on an on-going basis to ensure that the company operates in conformity with statutory provisions. The management system is reviewed annually by the board.

In addition, Gassco is subject to management and control by the infrastructure owners in joint ventures for which the company exercises operator functions. Gassco's management structure builds on established and communicated goals, strategies and values, including ethical rules.

Gassco's executive management, which comprises a seven-member management team, 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 the management system. The chief executive is responsible for ensuring that the executive management reviews the management system twice a year.

The management system 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.





Gassco's management model has three levels. The topmost level comprises the corporate governance process group. Next come four groups of processes related to Gassco's duties within the special and normal operatorships. The third level consists of six groups of staff and support processes.

The corporate governance process group first embraces processes concerning control of the company by the owner (in other words, the ministry and the board). Second, it covers processes for management of the company, including the establishment of the management system manual, the transport plan and the budget and business plan, as well as the determination of strategies and key performance indicators (KPIs), budgeting and decision-making processes, and 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.

The user fora – the Infrastructure Advisory Board (IAB), the Operating Forum, the NGL Forum and the NCS Gas Infrastructure Forum – 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 specific 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 safety and quality (SQ) department, which draws up annual supervision plans. This unit conducts internal audits as well as auditing the work of the TSPs. Other types of internal and external supervision/verification of suppliers 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 to 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 SQ department.

## Ethics and CSR

Gassco has established written ethical rules for its employees and consultants. Everyone joining the company receives an introduction to Gassco's ethical rules and values, and is 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 CSR procedure. Furthermore, work on CSR is entrenched in the Gassco board.

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

- › A general respect for human rights is an integral part of Gassco's TRACK values base (see above). The company's ethical guidelines conform with the UN's Global Compact and the OECD's guidelines for multinational companies, and support Gassco's values base. The
- › ethical guidelines form part of Gassco's governing documentation.

## Management tools

The board and chief executive utilise such activities as strategic planning, budgeting, periodic financial and operational reporting and dedicated processes for systematic risk 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 management

Risk management plays a key part in Gassco's management processes, and is used throughout the business, including decision processes and development projects. Particular attention is devoted to risks with a major accident potential, which forms the basis for workshops on major accident risk pursuant to the industry standard. Quantitative risk analyses are also updated in connection with the operation of all operational assets, where risks are assessed in relation to established acceptance criteria. Work was initiated in 2016 to revise the risk management methodology and tools, and the results will be implemented in the organisation during 2017. A dedicated risk committee has been established to contribute to an integrated understanding of risk and to function as an independent adviser to the company's leadership on risk management.

## 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. The declaration on senior executive pay is presented to the general meeting as a separate item.

## 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 (L2S) is used as a medium of communication with infrastructure 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

Gassco has changed its external auditor to PricewaterhouseCoopers (PwC) after 15 years with Deloitte. The reason for this change was that the board and the general meeting, after so many years with the same auditor, decided to put the service out to tender again. PwC won this tendering process. The auditor's fee is 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.



## 4 FINANCIAL STATEMENTS

### INCOME STATEMENT

Note	Amounts in NOK 1 000	2016	2015
	<b>OPERATING INCOME AND EXPENSES</b>		
2	<b>Total operating income</b>	0	0
2,3,4	<b>Total operating expenses</b>	0	0
	<b>FINANCIAL INCOME AND EXPENSES</b>		
	Other interest income	0	219
	<b>Net financial items</b>	0	219
	<b>Profit before tax</b>	0	219
10	Tax on ordinary activities	(752)	1 673
	<b>Profit/(loss) on ordinary activities</b>	752	(1 454)
	<b>Net profit/(loss)</b>	752	(1 454)
	<b>Transfers</b>		
	Transferred to/(from) other equity	752	(1 454)
	<b>Total transfers</b>	752	(1 454)

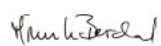


## BALANCE SHEET

Amounts in NOK 1 000

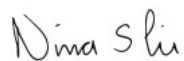
Note	ASSETS	At 31.12.2016	At 31.12.2015
	<b>FIXED ASSETS</b>		
	<b>INTANGIBLE ASSETS</b>		
10	Deferred taxes	-	18 653
	<b>Total intangible assets</b>	-	<b>18 653</b>
	<b>TANGIBLE ASSETS</b>		
4	Land, buildings and other property	29 852	23 985
4	Operating equipment and fixtures	148 150	138 808
	<b>Total tangible assets</b>	<b>178 001</b>	<b>162 793</b>
	<b>OTHER LONG-TERM RECEIVABLES</b>		
3,9	Other receivables	330 222	483 452
	<b>Total other long-term receivables</b>	<b>330 222</b>	<b>483 452</b>
	<b>TOTAL FIXED ASSETS</b>	<b>508 223</b>	<b>664 898</b>
	<b>CURRENT ASSETS</b>		
	<b>RECEIVABLES</b>		
6	Accounts receivable	51 847	68 800
5,10	Other receivables	585 241	3 135
	<b>Total current receivables</b>	<b>637 088</b>	<b>71 935</b>
11	Bank deposits and cash	338 812	414 166
	<b>TOTAL CURRENT ASSETS</b>	<b>975 900</b>	<b>486 101</b>
	<b>TOTAL ASSETS</b>	<b>1 484 123</b>	<b>1 150 999</b>

Note	Amounts in NOK 1 000	At 31.12.2016	At 31.12.2015
	<b>EQUITY AND LIABILITIES</b>		
	<b>EQUITY</b>		
	<b>PAID-IN CAPITAL</b>		
7	Share capital	10 000	10 000
	<b>Total paid-in capital</b>	<b>10 000</b>	<b>10 000</b>
	<b>RETAINED EARNINGS</b>		
8	Other equity	5 248	4 496
	<b>Total retained earnings</b>	<b>5 248</b>	<b>4 496</b>
	<b>TOTAL EQUITY</b>	<b>15 248</b>	<b>14 496</b>
	<b>LIABILITIES</b>		
	<b>Provisions</b>		
9	Pension commitments	526 844	510 649
	<b>Total provisions</b>	<b>526 844</b>	<b>510 649</b>
	<b>Long-term liabilities</b>		
5, 12	Other long-term liabilities	104 200	119 205
	<b>Total long-term liabilities</b>	<b>104 200</b>	<b>119 205</b>
	<b>Current liabilities</b>		
6	Accounts payable	540 941	260 616
10	Tax payable	0	3 963
11	Unpaid government charges and special taxes	151 312	38 607
5	Other current liabilities	145 577	203 463
	<b>Total current liabilities</b>	<b>837 830</b>	<b>506 649</b>
	<b>TOTAL LIABILITIES</b>	<b>1 468 874</b>	<b>1 136 503</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 484 123</b>	<b>1 150 999</b>



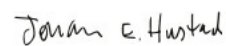
**Mimi K Berdal**

Chair



**Nina Schieldrop Lie**

Director




**Johan Einar Hustad**

Director



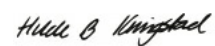
**Arvid Grundekjøn**

Director



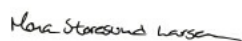
**Tor Rasmus Skjærpe**

Director



**Hilde Berge Kringstad**

Director\*



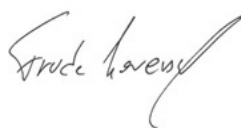
**Mona Storesund Larsen**

Director\*



**Brynjar Aardal**

Director\*



**Frode Leversund**

President and CEO

\*Elected by the employees



## CASH FLOW STATEMENT

Note	Amounts in NOK 1 000	2016	2015
	<b>CASH FROM OPERATIONAL ACTIVITIES</b>		
	Profit on ordinary activities before tax	0	219
4	Depreciation	37 561	34 806
10	Tax paid	(3 963)	(7 348)
	Changes in accounts receivable	16 952	25 610
5	Changes in other current receivables	(562 701)	(65 917)
	Changes in long-term receivables	153 231	233 392
	Changes in accounts payable	280 325	(3 380)
	Changes in long-term commitments	16 195	(219 780)
5	Changes in other current liabilities	54 820	(39 872)
5	Changes in other long-term liabilities	(15 005)	119 205
	<b>Net cash from operational activities</b>	<b>(22 585)</b>	<b>76 937</b>
	<b>CASH FROM INVESTMENT ACTIVITIES</b>		
4	Net disbursement for acquisition of fixed assets	(52 769)	(44 430)
	<b>Net cash from investment activities</b>	<b>(52 769)</b>	<b>(44 430)</b>
	<b>CASH FROM FINANCING ACTIVITIES</b>		
	Redemption of long-term debt	0	0
	<b>Net cash from financing activities</b>	<b>0</b>	<b>0</b>
	<b>Net change in cash and cash equivalents</b>	<b>(75 354)</b>	<b>32 506</b>
	<b>Cash and cash equivalents at 1 January</b>	<b>414 166</b>	<b>381 660</b>
	<b>Cash and cash equivalents at 31 December</b>	<b>338 812</b>	<b>414 166</b>



## NOTES

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### 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.

The company has changed its principle for presenting items related to the normal operatorship in 2016, from net to gross recording in the balance sheet. This means that gross figures are presented for balances with third parties related to the company's operator activities. These almost entirely concern accounts payable and VAT in joint ventures which were previously classified as balances with joint ventures.



### **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 average 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 company has various pension schemes. These are financed through payments to insurance companies, with the exception of the AFP early retirement scheme and a closed plan for pension benefits exceeding 12 times the National Insurance base rate (G). The company has both defined contribution and defined benefit plans.

**Defined contribution plans** Under defined contributions plans, the company makes contributions to an insurance company. It has no further commitments once the contributions have been paid. The contributions are recorded in the accounts as payroll costs. Possible contributions paid in advance are recorded in the balance sheet as an asset (pension funds) to the extent that the contribution can be refunded or reduce future payments.

**Defined benefit plans** A defined benefit plan is a pension scheme which is not a defined contribution plan. It typically defines a pension benefit which an employee will receive on retirement. This benefit normally depends on a number of factors, such as age, number of years with the company and level of pay. The capitalised commitment related to defined benefit plans is the present value of the defined benefits on the balance sheet date, less the fair value of the pension funds (amounts paid to an insurance company), adjusted for estimate variations and costs not recorded in the income statement related to pension earnings in earlier periods. The pension commitment is calculated annually by an independent actuary using a linear earnings method.

### **Taxes**

Tax in the income statement covers both taxes payable for the period and changes in deferred tax. Deferred tax is calculated using the relevant tax rate on the basis of the temporary differences which exist between accounting and tax values and possible tax loss carried forward at the end of the accounting year. Deferred tax and tax benefit which can be capitalised are presented net in the balance sheet.

The company has requested in 2017 that it be exempted from tax pursuant to section 2-32, paragraph one of the Taxation Act. The company has received the decision of the tax office that the company is exempt from capital and income taxes pursuant to section 2-32, paragraph one of the Taxation Act for fiscal 2012-15. On the basis of that decision, the company must continuously assess whether "economic activity" is pursued which incurs a liability to tax pursuant to section 2-32, paragraph two of the Taxation Act.

### **Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. Cash and cash equivalents include cash in hand, bank deposits and other short-term liquid investments which can be converted immediately and with insignificant price risk to known cash amounts and which have a remaining term to maturity of less than three months from the date of acquisition.

## 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 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 Act's provisions on operator responsibility. These duties are also regulated in the operator agreements with the Gassled, Haltenpipe, Zeepipe Terminal, Dunkerque Terminal, Valemon Rich Gas Pipeline, Knarr Gas Pipeline and Utsira High Gas Pipeline joint ventures, which own the infrastructure for transporting gas from the NCS. In addition, Gassco carries out a number of study assignments for various government bodies and players on the NCS.

Gassco is not intended to make a loss or profit from its activities. All its expenses are therefore covered by the licensees for work related to the normal operatorship and by the gas shippers for work related 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 where the expenses of the operatorship are divided between the owners.

However, the net presentation provides very limited information on Gassco's total activities and area of responsibility. Gassco's accounts are accordingly presented below in accordance with the proportionate consolidation method.

## INCOME STATEMENT

Note	Amounts in NOK 1 000	2016	2015
	<b>OPERATING INCOME AND EXPENSES</b>		
	Normal operatorship	6 446 880	7 775 065
	Special operatorship	357 793	306 556
	Other assignments	534 932	604 004
	<b>Total operating income</b>	<b>7 339 605</b>	<b>8 685 625</b>
3	Payroll costs	530 722	532 832
4	Depreciation of fixed assets, Gassco	37 561	34 806
	Other expenses	6 771 322	8 117 987
	<b>Total operating expenses</b>	<b>7 339 605</b>	<b>8 685 625</b>
	<b>FINANCIAL INCOME AND EXPENSES</b>		
	Other interest income	0	219
	<b>Net financial items</b>	<b>0</b>	<b>219</b>
	<b>PROFIT BEFORE TAX</b>	<b>0</b>	<b>219</b>
10	Tax on ordinary activities	(752)	1 673
	<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>752</b>	<b>(1 454)</b>
	<b>NET PROFIT/(LOSS)</b>	<b>752</b>	<b>(1 454)</b>

### Tariff revenues

Gassco is also responsible for administering capacity available at any given time in the pipeline network and the treatment plants. On behalf of the transport system's owners, Gassco invoices all shippers on the NCS for their booked capacity in accordance with applicable tariffs. Tariffs paid by the shippers are transferred without delay to the transport system owners.

Amounts in NOK 1 000	2016	2015
<b>TOTAL TARIFF REVENUES</b>	<b>27 377 312</b>	<b>26 971 169</b>

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

Amounts in NOK 1 000

<b>PAYROLL EXPENSES</b>	<b>2016</b>	<b>2015</b>
Pay	367 261	368 450
Payroll tax	65 934	67 858
Pension costs (see note 9)	80 698	81 586
Other benefits	16 829	14 938
<b>Total payroll expenses</b>	<b>530 722</b>	<b>532 832</b>

<b>WORK-YEARS PERFORMED</b>	349	355
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### Remuneration of senior staff in 2016

Amounts in NOK 1 000

<b>Surname, forenames</b>		<b>Pay/remuneration<sup>1</sup></b>	<b>Bonus<sup>2</sup></b>	<b>Other benefits<sup>3</sup></b>	<b>Pension costs<sup>4</sup></b>	<b>Total</b>	<b>Loans</b>
Leversund, Frode	President and CEO	3 030	80	29	183	3 322	-
Alcock, Jonathan P	Executive vice president, asset management	1 709	115	30	942	2 796	570
Rossebø, Øystein H	Executive vice president, development and innovation	1 418	77	31	176	1 702	460
Kaste, Kristin Kinn	Executive vice president, system operation	1 418	88	27	186	1 719	97
Voll, Ingolf Kornelius	Executive vice president, HR	1 406	96	32	613	2 147	590
Storesund, Inghild	Executive vice president, finance and improvement processes	1 305	86	23	183	1 597	350
Viksund, Randi I	Executive vice president, HSE&Q	1 305	88	34	192	1 619	392

<sup>1</sup> Pay/remuneration plus fixed overtime pay in 2016

<sup>2</sup> Bonus paid in 2016 on the basis of results in 2015

<sup>3</sup> Telephone, broadband, insurance, etc

<sup>4</sup> Pension premium and provision for 2016

Amounts in NOK 1 000

<b>Remuneration of directors in 2016</b>	<b>Amount</b>
Directors	1 809

Amounts in NOK 1 000

<b>Loans and security provided to:</b>	<b>Loans</b>	<b>Security</b>
Employees	73 573	0

## Declaration on pay for Gassco's executive management for the 2016 financial statements

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 with 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 and two directors has been established. The executive vice president for human resources serves as the committee's secretariat. This 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 on 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.

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.

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.

Gassco introduced a defined contribution pension scheme with rates of 7 and 25.1 per cent. At the same time, the pension plan for rates of pay exceeding 12G was terminated. The former defined benefit plan was retained for employees who will reach the age of 67 within 15 years or less. Gassco's pension arrangements have thereby been converted and adapted to the new National Insurance and AFP early retirement provisions as well as to guidelines from government on pay and other benefits for senior executives in state-owned companies.

Gassco has used early retirement as a means of adapting its workforce to a lower level of activity resulting from the contraction in the oil and gas sector. Some employees took early retirement in 2016, while most of those retiring early will do so in 2017. Former senior managers are among those granted early retirement.

## Auditor

PricewaterhouseCoopers AS has been chosen as the auditor with effect from 2016. NOK 676 000 was charged in 2016 as fees to PricewaterhouseCoopers AS for auditing Gassco AS and licences operated by the company. Furthermore, Deloitte Statsautoriserte Revisorer AS was paid fees of NOK 456 320 for auditing work in 2015 and NOK 168 563 for auditing branches outside Norway in 2015.

## Note 4 . Tangible fixed assets

Amounts in NOK 1 000

2016	Buildings and other real property	Operating equipment, fixtures, tools, etc	TOTAL
Acquisition cost 1 Jan 2016	41 933	329 522	371 455
Additions	6 301	46 760	53 061
Disposals/scrapping	(314)	(64 040)	(64 353)
Conversion difference	0	(339)	(339)
<b>Acquisition cost 31 Dec 2016</b>	<b>47 920</b>	<b>311 904</b>	<b>359 824</b>
Accumulated depreciation 1 Jan 2016	17 948	190 714	208 662
Disposal accumulated depreciation	(314)	(63 814)	(64 127)
Depreciation for the year	434	37 127	37 561
Conversion difference		(273)	(273)
<b>Accumulated depreciation 31 Dec 2016</b>	<b>18 068</b>	<b>163 755</b>	<b>181 823</b>
<b>Book value 31 Dec 2016</b>	<b>29 852</b>	<b>148 150</b>	<b>178 001</b>
Economic lifetime	5,50 years	3,5,7,8,10 years	
Depreciation plan	Linear/none	Linear	

## Note 5. Other receivables and liabilities

Amounts in NOK 1 000

<b>OTHER CURRENT RECEIVABLES</b>	<b>2016</b>	<b>2015</b>
Receivable from licences	533 924	
Receivable from shippers	30 783	
Other current receivables	20 534	3 135
<b>Total</b>	<b>585 241</b>	<b>3 135</b>

Amounts in NOK 1 000

<b>OTHER LONG-TERM LIABILITIES</b>	<b>2016</b>	<b>2015</b>
Liabilities to shippers	104 200	119 205

Amounts in NOK 1 000

<b>OTHER CURRENT LIABILITIES</b>	<b>2016</b>	<b>2015</b>
Liabilities to licences		41 441
Liabilities to credit institutions	74 721	79 068
Payroll-related liabilities	70 547	74 519
Other current liabilities	308	8 435
<b>Total</b>	<b>145 577</b>	<b>203 463</b>

## Note 6. Related parties

Statoil ASA and Gassco AS have a common owner in the Ministry of Petroleum and Energy, and are thereby related parties. Gassco AS purchased goods/services worth NOK 6 067 million, including VAT, in 2016 (2015: NOK 7 079 million) related to various technical service provider (TSP) and third-party assignments. NOK 16 405 million (2015: NOK 16 030 million) was invoiced net as services sold (including tariffs) to Statoil ASA/Statoil Petroleum AS. The net balance with Statoil was NOK 1 109 million at 31 December 2016 (2015: NOK 1 460 million). This figure also includes tariffs invoiced on behalf of the owners of the various joint ventures which are not recorded in the Gassco AS balance sheet.

## Note 7. Share capital and shareholder information

The share capital of the company at 31 December 2016 comprised the following:

	Number	Nominal value	Book value
<b>SHARE CAPITAL</b>	10 000	1 000	10 000 000

Ownership structure			Shares
The Norwegian government, represented by the Ministry of Petroleum and Energy			10 000

## Note 8. Equity

Amounts in NOK 1 000	Share capital	Other equity	Total equity
Equity at 1 Jan 2016	10 000	4 496	14 496
Year's change in equity:			
Profit for the year		752	752
<b>Equity at 31 December 2016</b>	<b>10 000</b>	<b>5 248</b>	<b>15 248</b>

## Note 9. Pension costs, funds and commitments

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

### Pension arrangements for employees in Norway:

A defined contribution plan is the main pension arrangement in Norway, with premiums paid representing the pension expense for the year. Gassco AS also has closed defined benefit pension schemes for employees who would reach the age of 67 in 15 years or less from 2015. These defined benefit plans 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 funded and unfunded 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.

The company recorded the calculated pension commitment at 31 December 2016 in the balance sheet, with the corresponding receivable from the licensees as a counter item. Changes to the calculated pension commitment will thereby have no effect on profit.



The table below presents pension costs plus funds and commitments.

Amounts in NOK 1 000

<b>FOR EMPLOYEES IN NORWAY</b>	<b>2016</b>	<b>2015</b>
Present value of pension earning for the year	25 344	72 554
Interest cost of the pension commitment	10 375	21 811
Curtailment/settlement	0	0
Return on pension funds	0	(7 799)
Administration costs	78	164
Early retirement packages	130 357	0
Recorded implementation effect/curtailment/settlement	(120 297)	(93 058)
Recorded estimate loss/(gain)	(7 968)	(162 559)
<b>Net pension expenses/(gain)</b>	<b>37 890</b>	<b>(168 887)</b>
<b>DEFINED CONTRIBUTION PLANS</b>	<b>13 921</b>	

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 expense, liability and funds in the scheme. As a result, the company's liability is not recorded as debt in the balance sheet.

Plan members who would reach 67 years of age in more than 15 years converted to a defined contribution pension with effect from 1 January 2016. The curtailment effect of the product change was taken in 2015. The settlement effect was realised in 2016 together with the gain/loss on curtailment. The difference between actual funds leaving the plan and the estimated figure for 2015 yielded a gain on the settlement effect.

As part of the restructuring of the company, early retirement agreements were entered into for some of the company's employees in 2016. The company has charged these early retirement costs in 2016. Possible estimate variations in future years will be charged out.

Amounts in NOK 1 000

<b>2016</b>	<b>Funded (collective)</b>	<b>Unfunded (AFP)</b>	<b>Other unfunded</b>	<b>Total</b>
Earned pension commitments	387 418		273 603	661 021
Pension funds (at fair value)	(270 570)			(270 570)
Unrecorded effect of estimate variations				
<b>NET PENSION COMMITMENTS</b>	<b>116 848</b>		<b>273 603</b>	<b>390 451</b>

Amounts in NOK 1 000

<b>2015</b>	<b>Funded (collective)</b>	<b>Unfunded (AFP)</b>	<b>Other unfundedde</b>	<b>Total</b>
Earned pension commitments	619 066	0	156 260	775 326
Pension funds (at fair value)	(390 020)	0		(390 020)
Unrecorded effect of estimate variations	0			0
<b>NET PENSION COMMITMENTS</b>	<b>229 046</b>	<b>0</b>	<b>156 260</b>	<b>385 306</b>

<b>ECONOMIC ASSUMPTIONS</b>	<b>2016</b>	<b>2015</b>
Discount rate on corporate bonds	2.60%	2.70%
Expected return on pension funds	2.60%	2.70%
Expected pay growth	2.50%	2.50%
Expected adjustment to current pensions	2.25%	2.25%
Expected change to National Insurance base rate (G)	2.25%	2.25%

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

The arrangements above apply to all the company's employees in Norway.

#### **Pension arrangements for employees in Belgium:**

Employees in Belgium have either defined benefit or defined contribution plans. Funds in these plans at 31 December 2016 satisfied local requirements.

Amounts in NOK 1 000

<b>FOR EMPLOYEES IN BELGIUM</b>	<b>2016</b>	<b>2015</b>
Present value of pension earning for the year	3 916	4 386
Interest cost of pension commitment	1 244	1 703
Return on pension funds	(900)	(1 241)
Administration costs		260
<b>NET PENSION COST</b>	<b>4 260</b>	<b>5 108</b>

Amounts in NOK 1 000

<b>FUNDED</b>	<b>2016</b>	<b>2015</b>
Earned pension commitments	86 847	86 475
Pension funds (at fair value)	(64 180)	(60 273)
<b>NET PENSION COMMITMENT</b>	<b>22 667</b>	<b>26 202</b>

These arrangements apply to all the company's employees in Belgium.

<b>ECONOMIC ASSUMPTIONS</b>	<b>2016</b>	<b>2015</b>
Discount rate	1.50%	1.50%
Expected return on pension funds	1.10%	1.50%
Expected pay growth	2.00%	2.00%
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.

**Pension arrangements for employees in France:**

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

**Pension arrangements for employees in the UK:**

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

**Pension arrangements for employees in Germany:**

Employees in Germany have various defined benefit pension plans.

Amounts in NOK 1 000

<b>FOR EMPLOYEES IN GERMANY</b>	<b>2016</b>	<b>2015</b>
Present value of pension earning for the year	12 439	13 314
Interest cost of pension commitment	5 588	5 923
Recorded estimate loss/(gain)	16 945	(956)
<b>NET PENSION COST</b>	<b>34 972</b>	<b>18 281</b>

Amounts in NOK 1 000

<b>FUNDED</b>	<b>2016</b>	<b>2015</b>
Earned pension commitments	281 228	264 580
Pension funds (at fair value)	(167 502)	(165 437)
Unrecorded effect of estimate variations		
<b>NET PENSION COMMITMENTS</b>	<b>113 726</b>	<b>99 143</b>

These arrangements apply to all the company's employees in Germany.

<b>ECONOMIC ASSUMPTIONS</b>	<b>2016</b>	<b>2015</b>
Discount rate	1.90%	2.25%
Expected return on pension funds	0.00%	0.00%
Expected pay growth	3.00%	3.00%
Expected adjustment to current pensions	1.80%	1.80%

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

## Note 10. Income taxes

### Taxes for the year are as follows

Amounts in NOK 1 000	2016	2015
Tax payable	(19 405)	3 963
Changes in deferred tax	18 653	(2 290)
<b>TAX ON ORDINARY PROFIT</b>	<b>(752)</b>	<b>1 673</b>

Amounts in NOK 1 000

<b>TAX PAYABLE IN THE BALANCE SHEET IS AS FOLLOWS</b>	2016	2015
Tax payable in the balance sheet	(19 405)	3 963

A decision by the tax authorities finds the company to be exempt from tax pursuant to section 2-32, paragraph one of the Taxation Act. The company will be refunded a total of NOK 19 405 206 in tax paid for the years 2012-15. The company's claims on the tax authorities are classified under other receivables. This also means that the company had no temporary differences between tax and accounting values at 31 December 2016.

Amounts in NOK 1 000

<b>RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATES</b>	2016	2015
Net profit before tax	0	219

Calculated income tax at nominal tax rate (25%)		59
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<b>Tax effect of the following items</b>		
Tax effect of tax exemption, see decision by tax authorities	(752)	
Non-deductible cost, pension premium		129
Changed tax rate, deferred tax benefit		1 492
Non-taxable income, interest on refunded tax		(7)
<b>TAX</b>	<b>(752)</b>	<b>1 673</b>
Effective tax rate	N/A	763%

<b>SPECIFICATION OF TEMPORARY DIFFERENCES AND THEIR NET TAX EFFECT</b>	2016		2015	
	Benefit	Obligation	Benefit	Obligation
Amounts in NOK 1 000				
Temporary differences, operating equipment			8 202	0
Unfunded pensions			66 411	0
Total			74 613	0
Deferred tax benefit/obligation			18 653	0
Uncapitalised deferred tax benefit			0	0
Net deferred tax benefit/obligation in the balance sheet			18 653	0

With reference to the decision of the tax authorities, temporary differences and deferred tax have not been calculated for 2016.

## Note 11. Bank deposits

Bank deposits and cash include NOK 12 618 535 in tied tax withholdings.

## Note 12. Guarantees and long-term liabilities

The company has furnished bank guarantees in the amount of EUR 500 000 to the Belgian authorities relating to Belgian VAT and GBP 400 000 to the UK authorities related to Langed, and a statutory bank guarantee in the amount of EUR 870 000 related to ATZ pensioners in Germany.



To the General Meeting of Gassco AS

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Gassco AS showing a profit of NOK 751 971. The financial statements comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 at 31 December 2016, and 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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#### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### *Other information*

Management is responsible for the other information. The other information comprise of the Board of Directors' report (chapter 2), statements on Corporate Governance and Corporate Social Responsibility (chapter 4) and information in the report in chapter 1 "From natural resources to prosperity", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm



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### *Responsibilities of The Board of Directors and the Managing Director for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the



audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

## *Report on Other Legal and Regulatory Requirements*

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### *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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

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### *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.

Stavanger, 12 June 2017

**PricewaterhouseCoopers AS**

Gunnar Slettebø  
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.