



ANNUAL REPORT 2017





FRODE LEVERSUND.
President and CEO.

We experienced many important events in 2017, including the 40th anniversary of Norway's gas adventure. We set a clear record for gas deliveries from the Norwegian continental shelf (NCS) to continental Europe and the UK by transporting no less than 117.4 billion standard cubic metres (scm) through the pipeline system. That represented a solid growth of eight per cent from 2016, and the highest annual volume by a clear margin over the four decades of Norwegian gas exports.



This result shows that Norway's gas machine has worked extremely well. The system from field to market, with all the players involved, truly delivered throughout the 365 days of the year. The biggest change in deliveries was the substantial increase in the summer season. That will make new demands on us with regard to the way we run the system in the future.

A high level of safety is fundamental for such deliveries. All human activity involves risk. Identifying, understanding and managing risk is crucial for accident-prevention work in the petroleum sector. We had one serious incident in 2017, and that is one too many. Nevertheless, this was a very good result from a historical perspective.

During the year, players on the NCS continued their efforts to enhance efficiency and thereby carried on reducing cost levels. We achieved our cost target in Gassco, and will continue to seek efficiency improvements in order to safeguard competitiveness.

We set a clear record for Norwegian gas deliveries to Europe in 2017.

8%

increase from 2016 and the highest volume by some margin achieved in the 40 years of Norwegian gas exports.

The fact that Norwegian gas exports to Europe could set such a clear record after 40 years demonstrates the key role played by these deliveries in Europe's energy supply. Gas from Norway currently meets around a quarter of this region's consumption and will remain a secure energy source for European consumers in the years to come.

We became the operator for the gas processing facility at Nyhamna in western Norway on 1 October 2017. Shell continues to serve as our technical service provider, as Statoil does at Kårstø and Kollsnes. Due to carry gas from the Aasta Hansteen field to Nyhamna, the Polarled pipeline increases transport capacity from the Norwegian Sea. At the same time, the Nyhamna expansion project has boosted processing capacity and thereby provides flexibility and opportunities which create renewed interest in the Norwegian Sea as a gas province.

During 2017, we continued to work on our strategic agenda. This comprises four beacons – continuous improvement of daily operations, reducing our emissions and taking the climate challenges seriously, safeguarding the long-term competitiveness of Norwegian natural gas, and ensuring that we keep up-to-date and continue to develop our systems.

Social change is occurring at a faster and faster pace. We see that our way of working today will not necessarily represent the best approach tomorrow. In order to exploit the opportunities provided by more rapid technological development, we have made changes to our staff and support organisation. Creating a separate unit for innovation, which also embraces digitalisation, is necessary to ensure that we can absorb external impulses and convert these to internal improvement.

Our mantra is secure gas deliveries to Europe. We lived up to that in 2017, and will continue to improve in order to ensure that Norwegian gas is again delivered at the right time, to the right quality and in the right quantity during 2018. At the same time, we will maintain efforts to reduce our climate footprint in production and transport even further.



2 DIRECTORS' REPORT

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 Pipe, Knarr Gas Pipeline, Haltenpipe, Nyhamna and Polarled joint ventures.

Gassco has entered into agreements with Statoil, Shell 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. Costs are covered 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 prudent 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. Gassco draws up an annual plan for its work on CSR, which is followed up by the executive management. Work on CSR is also entrenched with the company's board of directors.

Organisation

Two organisational development projects were prominent during 2017: the competence development project and the reorganisation of staff and support units in Gassco. Both have been followed up closely by the company's board.

The competence development project has been implemented throughout the organisation, including the foreign terminals. This primarily involves a methodology and a tool for employee development, succession planning, gap analysis, job reviews, overview of competence, development planning and personal follow-up of behaviour in accordance with the company's TRACK values base. Structured and forward-looking talent and management development has been an important guideline in this project. The board's follow-up of ongoing competence and management development in the company has been handled through the involvement of and reviews by the competence development committee, which reports status and development trends back to the board. This ensures that the board's duties with regard to Report no 27 (2013-14) to the Storting and White Papers concerning the exercise of state ownership are taken care of.

In collaboration with its union officials, the company has appointed a work group to draw up proposals for a new organisation of staff and support units in Gassco. This work was completed in December 2017 and the decision was taken to implement it with effect from 1 February 2018. The main features of the reorganisation involve combining HSE, HR, communication, finance and IT in a single unit. Two new units have also been established, for compliance and innovation respectively.

The company devoted time and resources to implementing its vision and values base in 2017.

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 332 permanent employees at 31 December 2017, including 138 at the gas terminals in continental Europe and the UK.
- The company currently has two office trainees in Norway, and none abroad.

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 26 per cent of Gassco's workforce. Recruiting more women graduates and facilitating female career development in the company are among its priorities. In determining and negotiating pay, Gassco pays special attention to equal treatment of men and women. Women account for 43 per cent of Gassco's executive management team.

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 2017.



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 2017. Sickness absence during the year was 2.79 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. This helps to identify trends in order to ensure that improvement initiatives are measurable and as effective as possible. Gassco developed its own learning tool in 2016, which was adopted during 2017.

Gassco worked purposefully in 2017 to identify, follow up and implement measures in the wake of incidents. The frequency of incidents defined as critical declined from 2016 to 2017. One critical incident occurred in 2017, compared with five in 2016 and seven in 2015. The critical incident in 2017 caused no serious personal injury, but has 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. The incident occurred during work on an electrical switchboard on Draupner. The incident was investigated by Statoil as technical service provider (TSP), with participation by Gassco.

The personal injury frequency for Gassco's operator area in 2017 was 5.28, compared with 2.6 in 2016. The board wants to see systematic improvement work in the HSE field in order to reach the goal of zero personal injuries in 2018.

One gas leak larger than 0.1 kg/s was recorded in 2017. Gassco registered no fires within its operator area during the year. No cases of reportable oil and chemical discharges occurred.

Health and safety results	Results 2017	Results 2016
Deaths	0	0
Personal injuries in total	20	11
Lost-time injuries	6	7
Fires	0	0
Gas leaks	1	2
Critical incidents	1	5
Unlicensed emissions/discharges	0	0
Accidental discharges, oil/chemicals	0	2

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. More audits of Gassco were conducted by the authorities during 2017 than in the preceding years. The audits in 2017 produced no orders or nonconformities, and

the number of learning points was substantially lower than before. Such learning points provide the basis for further improvements. The board is pleased with the work done, and is concerned to ensure that active efforts are made to implement improvements.

Another important component in Gassco is its emergency response organisation. The response organisation at Bygnes held and participated in 10 exercises during 2017. These drills demonstrated that Gassco has a robust and well-functioning emergency response organisation. Only one mobilisation of Gassco's response organisation occurred in 2017, compared with an annual average of six in recent years.



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 procedure for risk management in Gassco has been updated, and reflects recent knowledge acquired in the risk management field. New tools and risk pictures have been developed and adopted.

Gassco is working to implement a new archive system and a new collaboration solution, and these are expected to be put in place during 2018.

The company is also working purposefully on security, particularly in relation to ICT.

All process plants, gas terminals and platforms were operated in accordance with applicable emission/discharge permits in 2017. The company was awarded 919 899 emission allowances free of charge in 2017, and purchased 375 000. Each allowance corresponds to the emission of one tonne of CO₂.

Emissions/discharges to the natural environment		Emissions 2017	Emissions 2016
	Nitrogen oxides	963.9 tonnes	841.7 tonnes
To the air	Carbon dioxide	1 403 kilotonnes	1 290 kilotonnes
	Safety flaring	20.7 kilotonnes	24.7 kilotonnes
To water	Oil	226 kilograms	171 kilograms
	TOC	5 338 kilograms	5 493 kilograms
To soil/water	Accidental discharges, oil/chemicals	0 litres	1 530 litres

DEATHS

0

PERSONAL INJURIES

20

LOST-TIME INJURIES



FIRES

0

CRITICAL INCIDENTS

1

GAS LEAKS

1

ACCIDENTAL DISCHARGES OIL/CHEMICALS

0

UNLICENSED EMISSIONS/DISCHARGES

0

EMISSIONS TO THE AIR

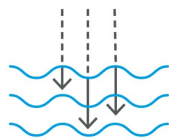


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CO₂ 1 403 KT

FLARING FOR SAFETY REASONS 20.7 KT

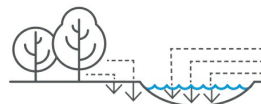
DISCHARGES TO WATER



OIL 226 KG

TOC 5 338 KG

DISCHARGES TO SOIL/WATER



OIL / CHEMICALS 0 L

Operation of the gas transport system

Natural gas deliveries from the Norwegian gas transport system to Europe came to 117.4 billion scm in 2017, compared with 108.56 billion scm the year before. Gas deliveries through the Gassco-operated system thereby set a new annual record in 2017. Total deliverability was 99.48 per cent, compared with 99.71 per cent in 2016. Given the very high level of utilisation in the transport system, the board is pleased with the high production availability and regularity achieved by the whole gas transport system in 2017.

Vessel traffic, which includes shipment of natural gas liquids (NGL) and light oil (Gudrun Blend) from Kårstø, must be carefully coordinated with daily gas transport in order to avoid full product stores and field shutdowns. A total of 618 ship calls were recorded at Kårstø during the year, without giving rise to any incidents of significance for gas transport. A new export record for liquid products was also achieved in 2017.

Gas transport	2017	2016
Deliverability (%)	99.48	99.71
Quality (%)	99.97	99.98
Gas delivered to terminals in Europe (billion scm)	117.4	108.6
Highest delivery per day (million scm)	376.0	358.3
Average gross calorific value (kWh/scm)	10.9	10.9
Total volume other products delivered from the gas transport system (million tonnes)	10.2	10.0

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.

Operating costs for the gas transport system have been cut in recent years. The total figure for 2017 came to NOK 3 698 million, compared with NOK 3 845 million in 2016, while the 2017 target for operating costs was NOK 3 766 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

Gassco took over the operatorship for the Nyhamna process plant on 1 October 2017, and the upgrading of this facility is now in its final phase. Some work remains to be done there in connection with phasing in the Aasta Hansteen field, which is due to come on stream in the fourth quarter of 2018.

Gassco took over the operatorship for Vestprosess on 1 January 2018, at the same time as the facility was incorporated in the tariff regulations with regulated tariffs for new reservations. Vestprosess is a plant which treats NGL from fields tied into the Kollsnes plant and the Sture terminal, and fractionates these gas liquids into various components which are either utilised at Mongstad or exported from there. Upgrading work at the Kalstø receiving facility, where the Statpipe, Sleipner condensate and Åsgard Transport pipelines come ashore, was completed in January 2017.

The subsea tie-in of the Gina Krog field to the Zeepipe IIA pipeline was completed in the fourth quarter of 2017.

Production of the Maria field via the Kristin platform began in December 2017. The gas is exported via Åsgard Transport to the Kårstø facility.

Work on the subsea tie-in of the gas pipeline from the Johan Sverdrup field to the Statpipe rich gas pipeline for gas deliveries to the Kårstø plant is on schedule, and is expected to be completed in the second quarter of 2018. Plans call for gas exports from Johan Sverdrup to commence in 2019.

It has been decided to install filters for removing trace substances in the receiving plant for Statpipe rich gas at Kårstø, and to construct a new administration/workshop building at the terminal in Emden.

Gassco carried out a conceptual study in 2017 for a spur from the Gassco-operated Europipe II pipeline to Nybro in Denmark. This spur will permit natural gas deliveries to the Danish market and also supply gas to the planned Baltic Pipe connection between Denmark and Poland.

Assessments have been made by Gassco of the need for future development in Norway's gas infrastructure. Among other conclusions, this work identifies changed transport and process needs in the Heimdal area. Further work related to this will be initiated in 2018.

Plans for development and operation (PDO) of the Utgard, Byrding, Oda, Dvalin, Trestakk and Bauge fields were approved in 2017. PDOs were also submitted for such projects as Snorre Expansion and Fenja. Gassco has assessed transport concepts for all these developments in order to identify the best solution for the NCS. The company has also assessed a transport solution for the gas resources in Noaka in connection with the choice of concept.

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.

The Norwegian gas infrastructure is largely based on electricity from the grid. A new transmission line between Mongstad and Modalen became operational in 2017. This was a step towards securing two supply routes to Kollsnes. To ensure development of the power grid in line with expected demand, Gassco checks that the grid operators are studying relevant reinforcements to their networks. Gassco has entered into an agreement with Statnett to coordinate a possible development of resources in the Barents Sea with relevant grid expansions in that region.

Gassco has been responsible for and has carried out conceptual studies on behalf of the Ministry of Petroleum and Energy for transport of carbon dioxide by ship. This work has been done in cooperation with Gassnova. In line with Gassco's recommendation, Statoil will continue work on transporting carbon dioxide by ship in the pre-engineering phase.

Gassco's 2030 and R&D strategies form the basis for managing its portfolio of research projects, with the following strategic programmes:

- value creation beyond 2030
- efficient operation
- sustainable development.

Key R&D activities in 2017

- A study on reducing requirements for gas quality specifications in upstream rich-gas systems in order to make provision for increased future volumes.
- Developing technology and solutions for measuring gas quantity and quality on the seabed.
- Testing and implementing inspection robots for secure and cost-effective inspection of pressure tanks and equipment.
- Establishing a digitalisation programme in order to implement technology and solutions which will contribute to automation and efficiency enhancements in the operatorship.
- A preliminary study of hydrogen transport.

A total of NOK 59 million was devoted to R&D activities in 2017.

Share capital and shareholders

The company's share capital at 31 December 2017 was NOK 10 million, divided between 10 000 shares. All the shares are owned by the Ministry of Petroleum and Energy on behalf of the Norwegian government.

Net profit and its allocation

Gassco broke even in 2017, with neither net profit nor loss. Other equity amounted to NOK 15 248 350 at 31 December 2017.

The total balance sheet at 31 December 2017 was NOK 1 034 million, and the company had liquid assets through bank deposits of NOK 331 million at the same date.

Gassco is organised so that the company does not make a profit or a loss from its operations, and has been exempted from capital and income taxes pursuant to section 2-32, paragraph one of the Norwegian Taxation Act. 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

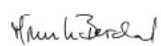
Natural gas deliveries from Norway cover about a quarter of Europe's total consumption. Norwegian gas will continue to occupy a key place in the security of European energy supply for a long time to come.

While energy consumption in Europe is set to increase, its impact on the climate must be reduced. Greenhouse gas emissions from transporting Norwegian natural gas to the continental European and British markets are low, in part because extensive use is made of renewable energy not subject to emission regulations. The European energy mix will require electricity from natural gas in periods when the contribution from renewable solar and wind power is reduced. Norwegian natural gas involves very low methane leakages. Gassco will continue its efforts to reduce the climate footprint of Norway's natural gas, and to improve energy utilisation at all stages.

The Norwegian Petroleum Directorate estimates that only a third of Norway's expected gas resources have been produced. 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 expected to remain around the present level up to 2035.

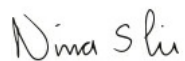
About 80 per cent of the undiscovered gas resources are expected to lie in the Norwegian and Barents Seas. In order to keep gas production from the NCS high over the long term, further development of the gas transport system will be needed. The first step was the Polarled pipeline, which opened up a new area of the NCS and led to 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.

Delivering Norwegian natural gas to the European market on competitive terms and with high regularity remains important. Gassco's role will be to ensure that value creation on the NCS is maximised by maintaining a cost-efficient and integrated gas infrastructure.



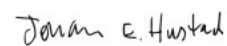
Mimi K Berdal

Chair




Nina Schieldrop Lie

Director



Johan Einar Hustad

Director



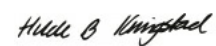
Arvid Grundekjøn

Director



Tor Rasmus Skjærpe

Director



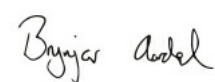
Hilde Berge Kringstad

Director*



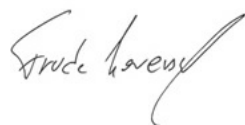
Mona Storesund Losnegård

Director*



Brynjar Aardal

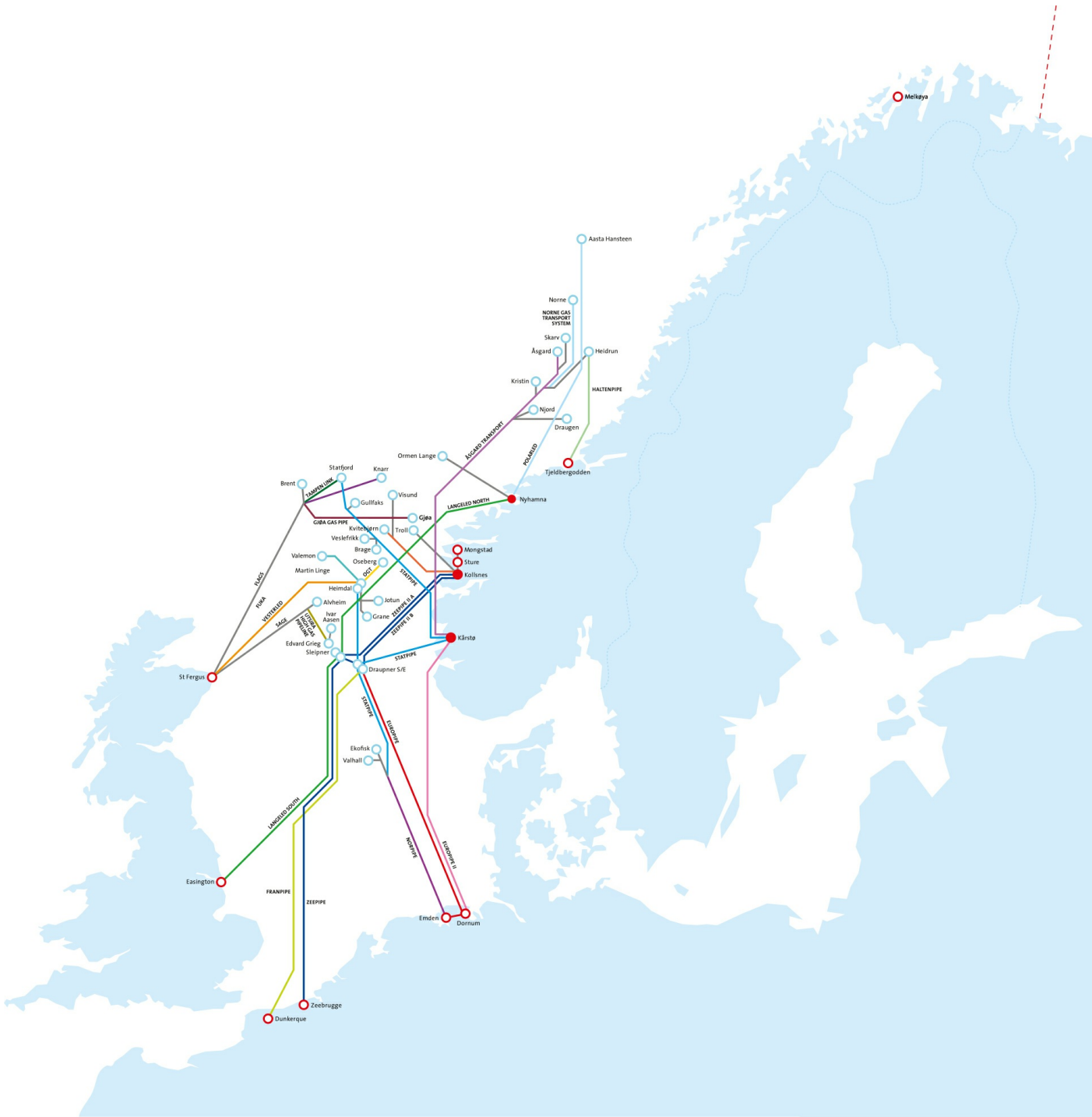
Director*



Frode Leversund

President and CEO

* Elected by the employees





BOARD OF DIRECTORS



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. 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). Hustad is a professor and director of NTNU Energy. He has served as pro-rector at the Norwegian University of Science and Technology (NTNU) with responsibility for innovation, headed the department of energy and process technology at the NTNU, and occupied several management posts at the university and at Sintef. He was also head of the centre for renewable energy (NTNU/Sintef/IFE), 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 A Wilhelmsen 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 principal 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 Losnegård

Worker director (born 1983). She is a special coordinator at Gassco AS and head of the Gassco branch of the Norwegian Union of Industry and Energy Workers (IE). Storesund Losnegård 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

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 Pipe, the Knarr Gas Pipeline, Nyhamna and Polarled (and Vestprosess from 1 January 2018). 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, Shell 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.

Transactions with related parties

Statoil ASA and Gassco AS have a common owner in the Ministry of Petroleum and Energy, and are accordingly related parties. Gassco purchases goods and services from Statoil ASA related to technical plant operation and third-party assignments at cost, pursuant to the technical service provider (TSP) agreement.

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 on behalf of the shareholder and ensures that, overall, the board has appropriate and adequate expertise, capacity and diversity. Women accounted in 2017 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 for its own work, for the compensation committee 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.

Four 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 2017, and attendance was 87.5 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, pension terms, and organisational and competence development 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 these 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.

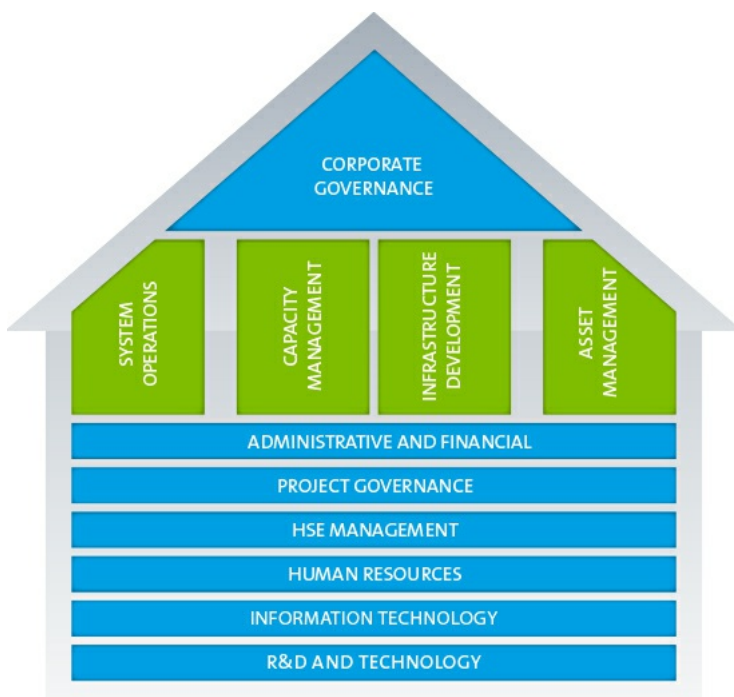
Risk management and internal control

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 as well as associated activities and management systems. 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 monitoring activity rests with the safety and quality (SQ) department, which draws up annual monitoring programmes. This unit conducts internal audits as well as auditing the work of the TSPs. Other types of internal and external monitoring activities are also conducted by Gassco's units and projects. This helps to ensure that operations are conducted as required by legislation, statutory regulations, in-house instructions and the TSPs' own in-house requirements.

The results of these monitoring 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.

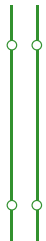
Ethics and CSR

Gassco has established guidelines for work on CSR which accord with the government's ownership policy and with the principles for good CSR. This is enshrined in the company's governing documentation through the management of CSR procedure. This procedure is based on the guidelines in ISO 26000, builds on the seven main principles for CSR, and also incorporates the UN Global Compact's 10 principles for multinational companies. On the basis of these principles, Gassco has a list of core areas – including human rights, labour rights, climate and the environment, anti-corruption work and stakeholder analyses – which it works on. The company's ethical guidelines for procurement as well as the guidelines on IT use and whistleblowing also form part of its CSR efforts.

CSR forms an integrated part of the company's organisational culture, strategy, operational activities and ethical conduct towards the world at large. An annual plan is drawn up for work on CSR and followed up by the management. Furthermore, work on CSR is entrenched in the Gassco board.

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.

Where tendering processes are concerned, clarification is secured that the supplier has established its own CSR policy and guidelines, and that these accord with Gassco's requirements. Furthermore, checks are made to see whether incidents related to corruption, child labour, human rights breaches and violations of workforce rights have occurred at the supplier. Information on these aspects is obtained from the supplier and from publicly available sources as well as from the Achilles supplier network. Possible conditions which might be identified will have consequences for the supplier's participation in tendering processes.



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 and apply to all employees and consultants in every country. Everyone joining the company receives an introduction to Gassco's ethical rules and values, and is kept regularly updated in this area.

Management tools

The board and chief executive utilise such activities as strategic planning, budgeting, periodic financial and operational reporting, and dedicated processes in conducting 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.

Integrated risk management

Integrated risk management plays a key part in Gassco's management processes, and is used throughout the business. 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. A dedicated risk committee has been established to ensure an integrated understanding of risk across the whole company. Gassco's corporate risk management procedure reflects new and updated knowledge in this field. New tools and risk pictures have also been developed and adopted.

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 accordance with 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

PricewaterhouseCoopers (PwC) is the company's external auditor for fiscal 2017. 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

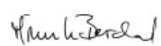
Note	Amounts in NOK 1 000	2017	2016
	OPERATING INCOME AND EXPENSES		
2	Total operating income	0	0
2,3,4	Total operating expenses	0	0
	FINANCIAL INCOME AND EXPENSES		
	Other interest income	0	0
	Net financial items	0	0
	Profit before tax	0	0
10	Tax on ordinary activities	0	(752)
	Profit/(loss) on ordinary activities	0	752
	Net profit/(loss)	0	752
	Transfers		
	Transferred to/(from) other equity	0	752
	Total transfers	0	752



BALANCE SHEET

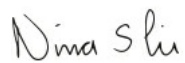
Note	Amounts in NOK 1 000	At 31.12.2017	At 31.12.2016
	ASSETS		
	TANGIBLE ASSETS		
4	Land, buildings and other property	29 577	29 852
4	Operating equipment and fixtures	133 180	148 150
	Total tangible assets	162 756	178 001
	OTHER LONG-TERM RECEIVABLES		
3,9	Other receivables	298 944	330 222
	Total other long-term receivables	298 944	330 222
	TOTAL FIXED ASSETS	461 701	508 223
	CURRENT ASSETS		
	RECEIVABLES		
6	Accounts receivable	64 675	51 847
5,10	Other receivables	177 357	585 241
	Total current receivables	242 032	637 088
11	Bank deposits and cash	330 628	338 812
	TOTAL CURRENT ASSETS	572 660	975 900
	TOTAL ASSETS	1 034 361	1 484 123

Note	Amounts in NOK 1 000	At 31.12.2017	At 31.12.2016
	EQUITY AND LIABILITIES		
	EQUITY		
	PAID-IN CAPITAL		
7	Share capital	10 000	10 000
	Total paid-in capital	10 000	10 000
	RETAINED EARNINGS		
8	Other equity	5 248	5 248
	Total retained earnings	5 248	5 248
	TOTAL EQUITY	15 248	15 248
	LIABILITIES		
	Provisions		
9	Pension commitments	497 784	526 844
	Total provisions	497 784	526 844
	Long-term liabilities		
5,12	Other long-term liabilities	96 708	104 200
	Total long-term liabilities	96 708	104 200
	Current liabilities		
6	Accounts payable	119 539	540 941
11	Unpaid government charges and special taxes	114 615	151 312
5	Other current liabilities	190 468	145 577
	Total current liabilities	424 621	837 830
	TOTAL LIABILITIES	1 019 113	1 468 874
	TOTAL EQUITY AND LIABILITIES	1 034 361	1 484 123



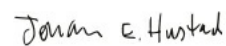
Mimi K Berdal

Chair



Nina Schieldrop Lie

Director



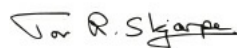
Johan Einar Hustad

Director



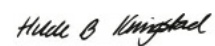
Arvid Grundekjøn

Director



Tor Rasmus Skjærpe

Director



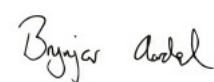
Hilde Berge Kringstad

Director*



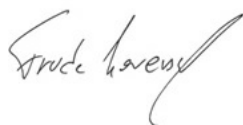
Mona Storesund Losnegård

Director*



Brynjar Aardal

Director*



Frode Leversund

President and CEO

*Elected by the employees



CASH FLOW STATEMENT

Note	Amounts in NOK 1 000	2017	2016
	CASH FROM OPERATIONAL ACTIVITIES		
	Profit on ordinary activities before tax	0	0
4	Depreciation	40 618	37 561
10	Tax paid	0	(3 963)
	Changes in accounts receivable	(12 828)	16 952
5	Changes in other current receivables	407 883	(562 701)
	Changes in long-term receivables	31 277	153 231
	Changes in accounts payable	(421 402)	280 325
	Changes in long-term commitments	(29 061)	16 195
5	Changes in other current liabilities	8 193	54 820
5	Changes in other long-term liabilities	(7 492)	(15 005)
	Net cash from operational activities	17 189	(22 585)
	CASH FROM INVESTMENT ACTIVITIES		
4	Net disbursement for acquisition of fixed assets	(25 373)	(52 769)
	Net cash from investment activities	(25 373)	(52 769)
	CASH FROM FINANCING ACTIVITIES		
	Redemption of long-term debt	0	0
	Net cash from financing activities	0	0
	Net change in cash and cash equivalents	(8 184)	(75 354)
	Cash and cash equivalents at 1 January	338 812	414 166
	Cash and cash equivalents at 31 December	330 628	338 812

NOTES

Note 1. Accounting principles

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

Description of the company's business

Gassco AS was established on 14 May 2001 and is wholly owned by the Norwegian state. The company is responsible for transporting gas from the Norwegian continental shelf to Europe. Its head office is located in Bygnes, and it also has branch offices in Germany, Belgium, France and the UK.

General rules for assessing and classifying assets and liabilities

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

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

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

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

The company 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

In accordance with a decision by the tax authorities, the company is exempt from tax pursuant to section 2-32, paragraph one of the Taxation Act. On the basis of this 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, Utsira High Gas Pipeline, Nyhamna and Polarled 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	2017	2016
	OPERATING INCOME AND EXPENSES		
	Normal operatorship	7 350 436	6 446 880
	Special operatorship	273 624	357 793
	Other assignments	229 198	534 932
	Total operating income	7 853 258	7 339 605
3	Payroll costs	510 212	530 722
4	Depreciation of fixed assets, Gassco	40 618	37 561
	Other expenses	7 302 429	6 771 322
	Total operating expenses	7 853 258	7 339 605
	FINANCIAL INCOME AND EXPENSES		
	Other interest income	0	0
	Net financial items	0	0
	PROFIT BEFORE TAX	0	0
10	Tax on ordinary activities	0	(752)
	PROFIT/(LOSS) ON ORDINARY ACTIVITIES	0	752
	NET PROFIT/(LOSS)	0	752

Tariff revenues

Gassco is also responsible for administering capacity available at any given time in the pipeline network and at 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	2017	2016
TOTAL TARIFF REVENUES	27 670 318	27 377 312

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

Amounts in NOK 1 000

PAYROLL EXPENSES	2017	2016
Pay	351 786	367 261
Payroll tax	63 270	65 934
Pension costs (see note 9)	76 469	80 698
Other benefits	18 686	16 829
Total payroll expenses	510 212	530 722

WORK-YEARS PERFORMED	2017	2016
	332	349

Remuneration of senior staff in 2017

Amounts in NOK 1 000

Surname, forenames		Pay/remuneration¹	Bonus²	Other benefits³	Pension costs⁴	Total	Loans
Leversund, Frode	President and CEO	3 105	258	9	181	3 553	-
Alcock, Jonathan Peter	Executive vice president, asset management	1 757	133	14	645	2 549	450
Rossebø, Øystein Høyvik	Executive vice president, development and innovation	1 522	108	27	167	1 824	400
Kaste, Kristin Kinn	Executive vice president, system operation	1 472	108	24	169	1 773	57
Hansen, Alfred Skår	Executive vice president, HR	1 383	94	23	167	1 667	550
Storesund, Inghild	Executive vice president, finance and improvement processes	1 347	99	19	171	1 636	390
Viksund, Randi	Executive vice president, HSE&Q	1 347	99	28	172	1 646	308

¹ Pay/remuneration plus fixed overtime pay in 2017

² Bonus paid in 2017 on the basis of results in 2016

³ Telephone, broadband, insurance, etc

⁴ Pension premium and provision for 2017

Amounts in NOK 1 000

Remuneration of directors in 2017	Amount
Directors	1 825

Amounts in NOK 1 000

Loans and security provided to:	Loans	Security
Employees	70 182	0

Declaration on pay for Gassco's executive management for the 2017 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. A health insurance policy is also in place, along with an all-year travel policy 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 and 2017. Senior managers are also among those granted early retirement.

Auditor

NOK 1 331 298 was charged in 2017 as fees to PricewaterhouseCoopers AS for auditing the company and the licences operated by Gassco AS. Furthermore, PricewaterhouseCoopers AS was paid fees of NOK 308 059 for consultancy work and Advokatfirmaet PricewaterhouseCoopers AS received NOK 321 570 in fees for legal support.

Note 4 . Tangible fixed assets

Amounts in NOK 1 000

2017	Buildings and other real property	Operating equipment, fixtures, tools, etc	TOTAL
Acquisition cost 1 Jan 2017	47 920	311 904	359 824
Additions	-	25 330	25 330
Disposals/scraping	(32)	(3 777)	(3 809)
Conversion difference	-	455	455
Acquisition cost 31 Dec 2017	47 888	333 912	381 800
Accumulated depreciation 1 Jan 2017	18 068	163 755	181 823
Disposal accumulated depreciation	(32)	(3 777)	(3 809)
Depreciation for the year	275	40 343	40 618
Conversion difference	-	412	412
Accumulated depreciation 31 Dec 2017	18 311	200 732	219 043
Book value 31 Dec 2017	29 577	133 180	162 756
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

OTHER CURRENT RECEIVABLES	2017	2016
Receivable from licences	173 218	533 924
Receivable from shippers	-	30 783
Other current receivables	4 139	20 534
Total	177 357	585 241

Amounts in NOK 1 000

OTHER LONG-TERM LIABILITIES	2017	2016
Liabilities to shippers	96 708	104 200

Amounts in NOK 1 000

OTHER CURRENT LIABILITIES	2017	2016
Liabilities to shippers	48 214	-
Liabilities to credit institutions	69 655	74 721
Payroll-related liabilities	69 602	70 547
Other current liabilities	2 996	308
Total	190 468	145 577

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 4 545 million, including VAT, in 2017 (2016: NOK 5 437 million) related to various technical service provider (TSP) and third-party assignments. NOK 16 391 million (2016: NOK 16 405 million) was invoiced net as services sold (including tariffs) to Statoil ASA/Statoil Petroleum AS. The net balance with Statoil was NOK 1 731 million at 31 December 2017 (2016: NOK 1 109 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 2017 comprised the following:

	Number	Nominal value	Book value
SHARE CAPITAL	10 000	1 000	10 000 000

OWNERSHIP STRUCTURE			Shares
The Norwegian government, represented by the Ministry of Petroleum and Energy			10 000

Note 8. Equity

Amounts in NOK 1 000	Share capital	Other equity	Total equity
Equity at 1 Jan 2017	10 000	5 248	15 248

Year's change in equity:

Profit for the year		-	-
Equity at 31 December 2017	10 000	5 248	15 248

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 2017 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

FOR EMPLOYEES IN NORWAY	2017	2016
Present value of pension earning for the year	24 980	25 344
Interest cost of the pension commitment	6 732	10 375
Curtailment/settlement	0	0
Administration costs	77	78
Early retirement packages	0	130 357
Recorded implementation effect/curtailment/settlement	(1 655)	(120 297)
Recorded estimate loss/(gain)	(14 191)	(7 968)
Net pension expenses/(gain)	15 944	37 890
DEFINED CONTRIBUTION PLANS	14 648	13 921

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 charged these early retirement costs in 2016. Possible estimate variations in future years will be charged out.

Amounts in NOK 1 000

2017	Funded (collective)	Unfunded (AFP)	Other unfunded	Total
Earned pension commitments	380 681		277 952	658 632
Pension funds (at fair value)	(275 700)			(275 700)
Unrecorded effect of estimate variations				
NET PENSION COMMITMENTS	104 981		277 952	382 932

Amounts in NOK 1 000

2016	Funded (collective)	Unfunded (AFP)	Other unfunded	Total
Earned pension commitments	387 418		273 603	661 021
Pension funds (at fair value)	(270 570)			(270 570)
Unrecorded effect of estimate variations				0
NET PENSION COMMITMENTS	116 848		273 603	390 451

ECONOMIC ASSUMPTIONS	2017	2016
Discount rate on corporate bonds	2.40%	2.60%
Expected return on pension funds	2.40%	2.60%
Expected pay growth	2.50%	2.50%
Expected adjustment to current pensions	1.5%/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 2017 satisfied local requirements.

Amounts in NOK 1 000

FOR EMPLOYEES IN BELGIUM	2017	2016
Present value of pension earning for the year	3 976	3 916
Interest cost of pension commitment	1 017	1 244
Return on pension funds	(448)	(900)
Administration costs	0	0
NET PENSION COST	4 544	4 260

Amounts in NOK 1 000

FUNDED	2017	2016
Earned pension commitments	94 302	86 847
Pension funds (at fair value)	(81 206)	(64 180)
NET PENSION COMMITMENT	13 096	22 667

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

ECONOMIC ASSUMPTIONS	2017	2016
Discount rate	1.60%	1.10%
Expected return on pension funds	1.60%	1.10%
Expected pay growth	2.00%	2.00%
Expected adjustment to current pensions	1.80%	1.70%

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

FOR EMPLOYEES IN GERMANY	2017	2016
Present value of pension earning for the year	13 786	12 439
Interest cost of pension commitment	5 593	5 588
Recorded estimate loss/(gain)	20 675	16 945
NET PENSION COST	40 054	34 972

Amounts in NOK 1 000

FUNDED	2017	2016
Earned pension commitments	298 799	281 228
Pension funds (at fair value)	(197 044)	(167 502)
NET PENSION COMMITMENTS	101 755	113 726

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

ECONOMIC ASSUMPTIONS	2017	2016
Discount rate	1.90%	1.90%
Expected return on pension funds	0.00%	0.00%
Expected pay growth	3.30%	3.30%
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	2017	2016
Tax payable	0	(19 405)
Changes in deferred tax	0	18 653
TAX ON ORDINARY PROFIT	0	(752)

Amounts in NOK 1 000

TAX PAYABLE IN THE BALANCE SHEET IS AS FOLLOWS	2017	2016
Tax payable in the balance sheet	0	(19 405)

The company received a decision from the tax authorities dated 18 May 2017 which finds the company to be exempt from tax pursuant to section 2-32, paragraph one of the Taxation Act. Tax payments made in 2012-15 were repaid in 2017. The company received a total repayment of NOK 19 405 206. The claim on the tax authorities was classified in the 2016 balance sheet under other receivables.

The company has reviewed the factual position concerning its activities in 2017 and concluded that the conditions for tax exemption were also fulfilled in that year. No tax payable has therefore been calculated for 2017 nor any temporary differences/deferred tax for either 2017 or 2016.

Note 11. Bank deposits

Bank deposits and cash include NOK 13 103 370 in tied tax withholdings.

Note 12. Guarantees

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 577 000 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

Opinion

We have audited the financial statements of Gassco AS showing a profit of NOK 0. The financial statements comprise the balance sheet as at 31 December 2017, 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 2017, 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.

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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report (chapter 2), the statements on Corporate Governance and Corporate Social Responsibility (chapter 3) and information in chapter 1 "Annual report", and in addition chapter Board of Directors, 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.



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.

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 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

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 and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Stavanger, 22 March 2018

PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

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