

Maersk Oil Qatar A/S

CVR-No. 16157473

Annual Report 2016



Approved at the General Assembly: 30 May 2017
Chairman of the meeting: Majbritt Perotti Carlson

Esplanaden 50, 1263 Copenhagen K



Company information

Maersk Oil Qatar A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.: 16157473
Date of incorporation: 21 May 1992
Registered office: Copenhagen
Financial year: 01 January 2016 - 31 December 2016

Board of Directors

Gretchen H. Watkins (Chairman)
Carsten Sonne-Schmidt (Vice Chairman)
Martin Rune Pedersen

Executive Board

Lewis Grant Affleck

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Branch

Maersk Oil Qatar
Al Jazi Tower
Asia Street 950, Zone 60
West Bay
P.O. Box 22050
Doha
Qatar

Directors' Report

Activities

The Company is a wholly owned subsidiary of Mærsk Olie og Gas A/S.

Maersk Oil Qatar A/S (Maersk Oil Qatar) participates through its branch in exploration and production of oil and gas in Block 5 offshore Qatar.

Financial review

Financial performance for the year

The result for 2016 shows a profit of USD 168 million, which is as expected lower than the result for last year (2015: USD 241 million). The results were influenced by the low oil prices throughout 2016.

The Al Shaheen Field produced 283,000 barrels of oil per day in 2016, compared to 276,000 barrels per day in 2015.

The Company's average share of the oil production was 134,000 barrels per day in 2016, slightly higher than last year (2015: 131,000 barrels per day). The increase was due to higher cost recovery following the decline in oil price. The field production level in the range of 300,000 barrels of oil per day is expected to continue.

On 27 June 2016 Qatar Petroleum announced that Maersk Oil was not selected to participate in the joint venture operating the Al Shaheen field from July 2017.

Maersk Oil is working to deliver safe and efficient operations at Al Shaheen in the remaining months of its licence and will exit Qatar in July 2017 following transition to a new operator.

Key figures for the Company are as follows:

USD million	2016	2015	2014	2013	2012
Income statement:					
Revenue	1,939	2,362	3,571	3,886	4,181
Profit before financial items and tax	608	755	1,887	2,290	2,311
Financial items, net	6	1	5	7	1
Profit for the year after tax	168	241	632	850	823
Balance sheet:					
Total assets	991	895	1,193	1,369	1,354
Investments in property, plant and equipment	13	411	436	280	75
Equity	575	557	716	884	1,033
Employees:					
Average number of employees	836	964	905	844	824

Guidance for 2017

The result for 2017 is expected to be lower than 2016 due the shortened time as operator partly offset by higher oil price expectations.

External environment

Maersk Oil Qatar continuously develops the production process using the best and safest technologies. Furthermore, Maersk Oil Qatar seeks to make use of environmentally friendly and energy efficient solutions to reduce negative impact on the environment.

Corporate Social Responsibility

Social responsibility is important for Maersk Oil Qatar's business and Maersk Oil Qatar continues its activities in line with A.P. Møller - Mærsk A/S' Sustainability Strategy.

For more information, reference is made to A.P. Møller - Mærsk A/S' sustainability report on the website:

<http://viewer.zmags.com/publication/f1a299f8#/f1a299f8/1>

Goals and policies for the underrepresented gender

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognises the advantages of a board comprising a wide range of backgrounds such as global experience, style, culture and gender.

On the basis of this ambition the Board has in 2013 defined a target to increase the share of the under-represented gender on the Board, to account for at least 25% of the shareholder-appointed Board members, no later than May 2017. The Company's board composition fulfills the diversity requirements among the elected board members with regard to the underrepresented gender.

In 2013, a group policy was adopted with the aim to increase the share of the under-represented gender on the company's other management levels (Link to policy: <http://mrsk.co/174tNiF>). In accordance with this policy Maersk Oil Qatar has taken steps to look into how the Company can attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions. In Maersk Oil Qatar, we encourage women to pursue career opportunities and have a positive development on female representation throughout our workforce.

Requirements according to the Danish Financial Statements Act, section 99c have been fulfilled ref. reporting for parent Company A.P. Møller - Mærsk A/S.

Risks and uncertainties

Maersk Oil Qatar is subject to a variety of risks which derive from the nature of the oil production activities.

Material accounting estimates relate to valuation of non-current assets including determination of amortisation and depreciation profiles.

Maersk Oil Qatar A/S' strategic, operational, compliance, financial and emerging risks are monitored through a structured approach including systematic identification, assessment and mitigation of the risks.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Maersk Oil Qatar A/S for 2016.

The annual report for 2016 of Maersk Oil Qatar A/S has been prepared in accordance with Danish Financial Statements Act and in our opinion gives a true and fair view of the Company's assets, liabilities and the financial position at 31 December 2016 and of the results of the Company's operations for the financial year 2016.

In our opinion the Directors' Report includes a fair review of the development in and the result of the Company's operations and financial conditions, the result for the year and financial position as well as a description of the most significant risks and uncertainty factors that the Company faces.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 30 May 2017

Executive Board:

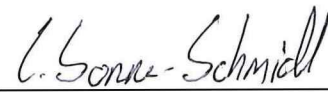


Lewis Grant Affleck

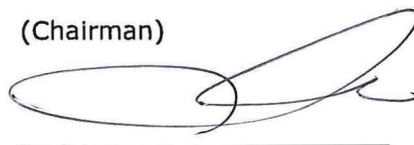
Board of Directors:



Gretchen H. Watkins
(Chairman)



Carsten Sonne-Schmidt
(Vice Chairman)



Martin Rune Pedersen

Independent auditors' report

To the shareholder of Maersk Oil Qatar A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk Oil Qatar A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, accounting policies and notes ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Statement on Directors' Report

Management is responsible for Directors' Report.

Our opinion on the Financial Statements does not cover Directors' Report, 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 Directors' Report and, in doing so, consider whether Directors' Report is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Directors' Report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Directors' Report is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Directors' Report.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, 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 in preparing the Financial Statements 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 contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

Hellerup, 30 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Mads Melgaard

State Authorised Public Accountant



Kristian Pedersen

State Authorised Public Accountant

Accounting Policies

The Annual Report for 2016 of Maersk Oil Qatar A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to large class C companies.

As a consequence of the changes in the Danish Financial Statements Act (Law no. 738 from June 1, 2015), presentation of liabilities is changed compared with last year, with change in comparison figures as well. Provisions are now presented either as non-current or current liabilities, instead of presenting it separately. Furthermore statement of changes in equity has been presented after the balance sheet. Underlift has been reclassified from prepayments to inventory.

This change has no effect on the income statement or on equity.

Beside from that the accounting policies for the Financial Statements are unchanged from last year.

Maersk Oil Qatar A/S has with reference to the Danish Financial Statements Act provision 86 section 4 refrained from preparing cash flow statement. With reference to provision 96, 3 of the Danish Financial Statements Act, fees for auditor elected by the general assembly are not published.

Presentation, classification and designations in the income statement and balance sheet have been adjusted to the special nature of the Company.

Foreign Currency

The functional currency is USD. The Annual Report is presented in USD, in accordance with provision 16 of the Danish Financial Statements Act. The exchange rate of USD to DKK was 7.0550 at 31 December 2016 (2015: DKK 6.8300).

Monetary assets and liabilities in currencies other than USD are translated at the exchange rate at the balance sheet date. Transactions in currencies other than USD are translated at the exchange rate prevailing at the date of the transaction.

Exchange rate gains and losses are included in the income statement as financial income and expenses.

The Income Statement

Revenue comprises the value of the Company's share of the oil and gas production. If the Company sells more than its share of the produced oil (overlift), this is recognised at sales price in the balance sheet under "Deferred income". If the Company sells less than its share of the produced oil (underlift), this is recognised at the lower of cost price and market price under "Inventories". Tax settled in oil is recognised both as revenue and tax expenses.

Production expenses comprise costs incurred in generating the revenue for the year.

Administrative expenses comprise parent company overhead, staff costs and other general administrative costs.

Financial items comprise interest and currency exchange rate gains and losses from translation of cash, receivables and debt in foreign currencies other than USD.

The Company is jointly taxed with a number of Danish companies in the A.P. Møller - Mærsk Group. **Tax on profit** for the year includes the amount estimated to be paid for the year as well as adjustments regarding previous years and change in deferred tax.

Provision for deferred tax is made on temporary differences between the accounting and tax values of assets and liabilities. Deferred tax on temporary differences which at the time of the transaction does not affect the financial result or the taxable income is not recognised.

Deferred tax assets are only recognised to the extent that it is probable that they can be utilised against future taxable income.

The tax amount includes the special taxes relating to extraction and production of hydrocarbons in Qatar.

The Balance Sheet

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets.

IT software is amortised over a useful life of 3 years.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost price of production facilities etc. comprises direct and indirect costs for appraisal and production wells and production equipment, etc. for fields considered commercial. The cost of an asset is divided into separate components which are depreciated separately if the useful lives of the individual components differ. Depreciation on production facilities etc. is made over the expected production period/economic life up to 5 years.

For oil production facilities including facilities under construction, where oil is received as payment for the investment (cost oil), depreciation takes place concurrently with the receipt of cost oil.

Depreciation periods and residual values for intangible assets and property, plant and equipment are re-evaluated annually.

Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value less costs of disposals.

Inventories including underlift is measured at lower of cost and market price.

Receivables are measured at nominal value which in all material respects corresponds to amortised cost. Write-down is made for anticipated losses on an individual basis.

Prepayments recognised under assets include prepaid expenses at cost.

Dividend for distribution regarding the financial year is included as part of the **equity**.

Provisions are recognised when there is an existing legal or actual obligation. Provisions are recognised on the basis of specific estimates and consider discounting when the time element is significant.

Debt to group, suppliers etc. is measured at amortised cost price or lower net realisable value, which in most situations corresponds to the nominal value.

Deferred income regarding future years is recognised under liabilities.

MAERSK OIL QATAR A/S
INCOME STATEMENT
FOR 2016

Note	USD 1,000	
	2016	2015
1. Revenue	1,939,086	2,361,938
2. Production expenses	858,599	1,161,684
Gross profit	1,080,487	1,200,254
2. Administrative expenses	16,382	17,565
3. Depreciation	456,239	428,005
Profit before financial items and tax	607,866	754,684
4. Financial income	7,293	1,471
5. Financial expenses	1,660	306
Profit before tax	613,499	755,849
6. Tax on profit for the year	445,148	514,941
PROFIT FOR THE YEAR	168,351	240,908
Proposed distribution of net profit		
Proposed dividend for distribution	500,000	150,000
Retained earnings	(331,649)	90,908
	168,351	240,908

MAERSK OIL QATAR A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000	
	2016	2015
ASSETS		
3. NON-CURRENT ASSETS		
Intangible assets		
Software	0	0
Property, plant and equipment		
Production facilities etc.	217,210	660,845
Production facilities etc. under construction	0	0
	<u>217,210</u>	<u>660,845</u>
TOTAL NON-CURRENT ASSETS	<u>217,210</u>	<u>660,845</u>
CURRENT ASSETS		
Inventories	0	62,374
Receivables		
Receivables from sale of oil	134,319	124,136
Receivables Group companies	623,359	11,030
Other receivables	5,530	10,446
Prepayments	7,006	25,006
	<u>770,214</u>	<u>170,618</u>
Cash	<u>3,464</u>	<u>980</u>
TOTAL CURRENT ASSETS	<u>773,678</u>	<u>233,972</u>
TOTAL ASSETS	<u>990,888</u>	<u>894,817</u>

MAERSK OIL QATAR A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000		
	2016	2015	
LIABILITIES AND EQUITY			
EQUITY			
7.	Share capital	28,240	28,240
	Retained earnings	46,926	378,575
	Proposed dividend	500,000	150,000
		575,166	556,815
NON-CURRENT LIABILITIES			
8.	Pension and similar obligations	0	7,558
		0	7,558
CURRENT LIABILITIES			
8.	Pension and similar obligations	13,325	0
8.	Other provisions	54,882	94,992
	Trade payables	136,225	212,079
	Payables to group companies	15,371	6,783
	Other payables	23,657	16,590
	Deferred income	172,262	0
		415,722	330,444
	TOTAL LIABILITIES	415,722	338,002
	TOTAL LIABILITIES AND EQUITY	990,888	894,817
9.	Contingencies etc.		
10.	Related parties		

MAERSK OIL QATAR A/S
STATEMENT OF CHANGES IN EQUITY AT 31.12.2016
(1,000)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Dividends</u>	<u>Total</u>
Equity 01.01	28,240	378,575	150,000	556,815
Profit for the year		168,351		168,351
Dividend paid			(150,000)	(150,000)
Proposed dividend for distribution		(500,000)	500,000	0
Equity 31.12	28,240	46,926	500,000	575,166

MAERSK OIL QATAR A/S**Notes as at 31.12.2016****(USD 1,000)****Note 1, Revenue**

The company revenue was generated from selling oil in Qatar.

Note 2, Staff costs

	2016	2015
Salaries and wages	215,364	192,912
Pension contributions	10,527	5,805
Other social security costs	2,516	3,010
	<u>228,407</u>	<u>201,727</u>
Average number of employees	<u>836</u>	<u>964</u>

Staff costs included in the income statement are contained under the items production expenses and administrative expenses, and in the balance sheet under production facilities etc. under construction.

With reference to provision 98b, 3 of the Danish Financial Statements Act, no Board of Directors' fee and Management remuneration is shown due to only one person receiving remuneration.

**Note 3, Intangible assets/
Property, plant and equipment**

USD 1,000	2016 Software etc.	2016 Production facilities, etc.	2016 Production facilities etc. under construction
Cost at 01.01	5,974	9,224,698	0
Additions during the year	0	0	12,604
Transferred	0	12,604	-12,604
Cost price 31.12	5,974	9,237,302	0
Depreciation and impairment losses at 01.01	5,974	8,563,853	0
Depreciation and amortisation for the year	0	456,239	0
Depreciation, amortisation and write-downs at 31.12	5,974	9,020,092	0
Carrying amount 31.12	0	217,210	0

Ownership of fixed assets in Qatar at a carrying amount of total USD 217 million (2015: USD 661 million) is being transferred to the state-owned oil company, Qatar Petroleum, when the investment has been recovered by the earnings from the production of hydrocarbons or at the time of termination of the concession agreement. The Company has the right of use during the concession period.

USD 1,000

Note 4, Financial income

	2016	2015
Interest received from group companies	7,289	501
Exchange rate adjustments etc.	4	970
	<u>7,293</u>	<u>1,471</u>

Note 5, Financial expenses

Interest paid	8	0
Exchange rate adjustments etc.	1,652	306
	<u>1,660</u>	<u>306</u>

Note 6, Corporate tax

Tax expense on profit for the year, USD 445 million (2015: expense of 515 million) comprises foreign tax expenses USD 445 million (2015: expense of USD 515 million) and Danish tax of USD 0 million (2015: USD 0 million).

This Company is part of a joint taxation scheme with A.P. Møller - Mærsk Group. The tax is divided between the members of the joint taxation scheme by use of the full allocation method.

Note 7, Share capital

Share capital consists of the following shares:

Number	Nominal, DKK
1	1,000,000
2	3,000,000
1	4,000,000
1	5,000,000
1	9,000,000
7	25,000,000
Total nominal value in DKK	200,000,000

There have been no changes to the share capital during the past five years.

Note 8, Provisions

Provisions are recognised when there is an existing legal or actual obligation. Provisions are recognised based on specific estimates and the amounts as well as timing of payments are subject to variations.

Note 9, Contingencies

As a normal part of business operations field development plans are signed and drilling and production rigs are chartered. At the end of 2016 the total commitments are USD 79 million (2015: USD 256 million), of which USD 79 million is for leasing commitments (2015: USD 244 million).

Guarantees amounting to USD 8 million (2015 USD 8 million) have been provided to third parties.

The Company is jointly taxed with Danish companies within the A.P. Møller - Mærsk Group. This entails unlimited joint liability for Danish corporation taxes and withholding taxes on dividends, interests and royalties within the jointly taxed companies. A similar obligation exists for joint registration of VAT.

Note 10, Related parties

Companies in the A.P. Møller - Mærsk Group and the Executive board and board members of the Company are related parties. All transactions with related parties are carried out on arm's length.

Parties exercising control

The Company is 100% owned by Mærsk Olie og Gas A/S. The consolidated Maersk Oil Financial Statements are available at the Company's address, Esplanaden 50, 1263 Copenhagen K, Denmark.

The ultimate parent company is A.P. Møller Holding A/S. The consolidated Financial Statements of A.P. Møller Holding A/S are available at the Company's address, Esplanaden 50, 1098 Copenhagen K, Denmark.

The Company is included in both consolidated Financial Statements as a subsidiary.