Mærsk Olie og Gas A/S

CVR-No. 22757318

Annual Report 2017

Approved at the General Assembly: 1 May 2018
Chairman of the meeting: Majbritt Perotti Carlson

Amerika Plads 29, st., 2100 Copenhagen Ø

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Company information

Mærsk Olie og Gas A/S
Amerika Plads 29, st.
2100 Copenhagen Ø

CVR-No.:	22757318
Date of incorporation:	26 September 1962
Registered office:	Copenhagen
Financial year:	01 January 2017 - 31 December 2017

Board of Directors

Arnaud Breuillac (Chairman)
Martin Rune Pedersen
Troels Albrechtsen

Executive Board

Michael Simon Borrell

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Directors´ Report

Activities

As of 31 December 2017, the company is a wholly-owned subsidiary of A.P. Møller – Mærsk A/S.

Mærsk Olie og Gas A/S (Maersk Oil) participates through subsidiaries in exploration and production of oil and gas outside Denmark and is operator for Dansk Undergrunds Consortium's (DUC's) activities in the Danish North Sea.

In addition the oil and gas activities of A.P. Møller – Mærsk A/S has been transferred to Mærsk Olie og Gas A/S effective 1st January 2017 through a contribution of assets. The main asset is 31.2% interest in the DUC.

Financial review

Financial performance for the year

The 2017 results show a profit of USD 957 million, which is significantly above management expectations and higher than the profit for 2016 (USD 305 million). The profit was positively impacted by lower costs due to cost reduction efforts, lower exploration costs, an average oil price of USD 54 USD/barrel, 24% higher than for 2016 (USD 44/bbl), and one-offs mainly from reversal of impairments, tax and provisions.

Full year guidance to the market was an entitlement production between 215,000 boepd and 225,000 boepd. Maersk Oil delivered within the range at 220,000 boepd. The entitlement production of 220,000 boepd was lower than FY 2016 (313,000 boepd) primarily because of the exit from Qatar.

Cash flow from operating activities was USD 1.2 billion (USD 1.3 billion in 2016).

Guidance for 2018

Maersk Oil expects a positive result in 2018. Breakeven is reached with oil prices in the range USD 40 - 45 per barrel. Maersk Oil's entitlement production is expected to decrease as a consequence of the exit from Qatar mid-2017.

Key figures for the Maersk Oil Group are as follows:

USD million	2017	2016	2015	2014	2013
Income statement:					
Revenue	3,922	4,733	5,829	7,645	7,014
Profit before financial items and tax	1,460	1,429	(1,975)	202	2,244
Financial items, net	(185)	(232)	(161)	(67)	(56)
Profit for the year after tax	957	305	(2,200)	(1,424)	295
Balance sheet:					
Total assets	10,366	12,278	10,103	11,939	12,635
Investments in property, plant and equipment	814	1,165	2,088	2,312	1,726
Equity	5,837	4,855	4,377	6,561	8,015

The key figures are restated 2016 and 2017 for the effect of the contribution of the oil and gas activities of A.P. Møller – Mærsk A/S. The previous years are not restated.

The subsidiary Maersk Oil Qatar A/S has been reclassified as discontinued operations in 2017. The years 2013-16 are not restated.

Change of parent company owner

The share capital in Mærsk Olie og Gas A/S was acquired by Total S.A. from A.P. Møller – Mærsk A/S with effective date 8th March 2018. This does not affect the going concern of the company.

As of the effective date the company is no longer part of the A.P. Moller – Maersk Group joint taxation and is instead jointly taxed with the previous Maersk Oil Group companies and Danish registered Total Group companies. Joint liability for previous periods still exists.

Production

In 2017, Maersk Oil invested USD 1.1 billion in production facilities and oil rights etc., compared to USD 1.6 billion in 2016, primarily in UK, Norway, US, Denmark and Kenya.

Denmark

In 2017, Maersk Oils production share of crude oil from DUC's fields in the Danish part of the North Sea reached an average of 36 thousand barrels of oil per day (bopd), the same as in 2016 (36 thousand bopd). Maersk Oils share of the gas production in 2017 was 21 thousand boepd 11 % higher than 2016 (19 thousand boepd). The higher production was caused by the ramp up from the unmanned Tyra SE platform which came on stream in Q1 2015 offset by decreasing production from mature fields. During 2017, four new development wells were completed (six wells in 2016).

United Kingdom

In the UK, entitlement production was 58 thousand boepd (75 thousand boepd in 2016). The lower production compared to 2016 was due to the natural decline from mature assets, partly offset by successful well interventions.

Algeria

The entitlement oil production from Algeria reached 31 thousand boepd (35 thousand boepd in 2016).

Kazakhstan

Entitlement share of the oil production was at a level of 8 thousand boepd during 2017 (6 thousand boepd in 2016).

US

The Group's entitlement share of the oil production from the Jack field was at a level of 8 thousand boepd during 2017 (9 thousand boepd in 2016). Well integrity issues prevented the production from ramp up during 2017 but production is expected to increase in 2018.

Kurdistan

In the Kurdistan Region of Iraq, the Sarsang project delivered an entitlement production of 1.2 thousand boepd in 2017 (0.4 thousand boepd in 2016).

Qatar

Daily entitlement production in Qatar was 57 thousand boepd (134 thousand boepd in 2016). The decrease was mainly due to exit from Al Shaheen in July 2017 and annualizing of the production number.

Development

In Denmark, the DUC partnership of which Maersk Oil holds 31.2% ownership has commenced the re-development of the Tyra field. The investment cost for the modification to existing facilities and construction of new facilities (CAPEX) is estimated at approx. DKK 17bn (approximately USD 2.5bn - 3.0bn), and the cost in relation to removal and decommissioning of current facilities (ABEX) is estimated at approx. DKK 4bn (approximately USD 0.6bn - 0.7bn). The redeveloped Tyra is expected to deliver approximately 60 thousand barrels of oil equivalent per day at peak, and it is estimated that the redevelopment can enable the production of more than 200 million barrels of oil equivalent. Approximately 2/3 of the production is expected to be gas and 1/3 to be oil. The Tyra field will be shut-in for the redevelopment in November 2019, and production is expected to recommence in July 2022.

The Johan Sverdrup project in Norway was sanctioned in Q3 2015. Maersk Oil holds an 8.44% share in the large field. Development of the Johan Sverdrup field in Norway is progressing ahead of schedule towards first production in 2019 and with the operator Statoil now forecasting a break-even price per barrel below USD 15 for the first phase.

The Culzean gas field in the UK operated by Maersk Oil is progressing with drilling activities and facilities installation work all ahead of schedule at 68% completion rate by year end 2017 and below budget towards first production in 2019.

The highlights of the year include delivery of the jackets for the central processing facilities and the living quarter platform, drilling of the first high pressure high temperature well, seabed pipe lay complete and the release of the Floating, Storage and Offloading (FSO) vessel Ailsa from dry dock.

The Flyndre field, a subsea tie back to existing infrastructure, came on stream end of Q1 2017.

In the US Gulf of Mexico, drilling of wells in the Jack field continues with a total of 6 wells approved.

In Qatar, as a consequence of not winning the tender for Al Shaheen, Maersk Oil has handed over the operation to the new operator and is targeting a country exit during 2018.

In Angola, the Chissonga project is challenged due to the relationship between cost level and oil price and Maersk Oil continues reviewing the development plan to reach an economically viable solution through concept changes and negotiations with authorities, partners and contractors.

Exploration

Exploration and appraisal activities are in progress, mainly in:

- The North Sea (in Denmark and in the UK)
- Kenya (with Tullow as operator), where the Lokichar discovery is being further assessed.

Maersk Oil completed 13 exploration/appraisal wells compared to one in 2016.

Nine wells were drilled in Kenya continuing the de-risking of the Lokichar project. In the UK North Sea, three wells were drilled, with two encountering hydrocarbons and one with a re-spud targeted for late 2018.

Innovation

Maersk Oil is seeking to enhance business competiveness by developing new knowledge and technologies to more efficiently produce hydrocarbons from complex reservoirs such as tight chalk reservoirs in the North Sea and high-pressure, high-temperature fields like the Culzean field. An increasing part of Maersk Oil’s efforts in research and development is conducted at the Danish Hydrocarbon & Technology Centre (funded by Maersk Oil and the other Danish Underground Consortium partners). Here major technology programmes focus on many things, including: advanced water flooding and enhanced oil recovery in the Dan & Halfdan fields; materials research and corrosion mitigation of wells and offshore installations; low cost production platforms; and innovative use of Big Data and predictive data analytics.

Other focus areas are enhanced reservoir modelling, cost effective well completions and conformance control measures in horizontal wells.

Risks and uncertainties

Maersk Oil is subject to a variety of risks, which derive from the nature of the oil and gas production and exploration activities. In the Danish North Sea, Maersk Oil and its DUC partners have secured safe operations by provision of stand-by rigs and hereby mitigated risk caused by subsiding seabed.

Material accounting estimates relate to valuation of non-current assets including determination of amortisation and depreciation profiles, and calculation of provisions to cover abandonment obligations and claims, etc. Maersk Oil's future is dependent upon success in finding or acquiring and developing oil and gas reserves. Further, strategic, operational, compliance, financial and emerging risks are monitored through a structured approach including systematic identification, assessment and mitigation of the risks.

The Total Recordable Incident frequency (TRIF) for 2017 was 2.4 per million working hours compared to 2.5 per million working hours in 2016. Maersk Oil works focused on eliminating incidents and has set a target of zero incidents. Moreover, a major accident or oil spill remains an inherent risk in the operations. A high severity incident would first and foremost present a risk to our employees as well as potentially to the marine environment, wildlife and local communities. Additionally it could result in large-scale impact on assets, liquidity and reputation and put our license to operate at risk. The Group is proactively building and supporting incident free operations to mitigate this risk.

The oil industry experienced a steep oil price decline from above USD 100 per barrel in the first half of 2014. The Brent oil price reached a low of USD 27 per barrel in Q1 2016, with an average oil price in 2016 of USD 44 bbl which has increased to USD 54 bbl in 2017. Global demand and supply appear now re-balancing, however significant uncertainty remains in the oil price outlook. Maersk Oil has adapted its portfolio, organisation and cost level to the lower oil price environment. Together with good operational performance, this has allowed Maersk Oil to improve the competitiveness with a break-even oil price reduced from USD 55-60 per barrel in 2014 to below USD 40 per barrel in 2016 and 2017 and with a target of USD 40-45 per barrel for 2018 onwards.

Corporate Social Responsibility

Social responsibility is important for Maersk Oil's business and Maersk Oil has in 2017 continued its activities in line with the parent company 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://files.shareholder.com/downloads/ABEA-3GG91Y/6206204637x0x972428/F5554324-60AA-455A-A40B-084AB5A4B979/APMM_Sustainability_Report_2017_A3_180221_final.pdf

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

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 recognise the advantages of a Board comprising a wide range of backgrounds such as global experience, style, culture and gender. In May 2017, the Company's board ceased having equal representation of genders among the Company's shareholder-appointed board members. On this basis, the Board has in August 2017 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 within 4 years.

As of 31 December 2017 there are no women among the 5 board members appointed at the general meeting. Consequently, the target for gender diversity has not been met. The background for not meeting the target is that there is not found female candidates for vacant seats at the Board.

The Company has decided only to consolidate information regarding the underrepresented gender for companies within the Group, which individually are required to report in accordance with section 99b of the Danish Financial Statements Act. As of 31 December 2017, all Danish its subsidiaries in reporting class C (large) have equal gender representation.

A.P. Møller - Mærsk A/S has adopted a group policy for the complete group with the aim to increase the share of the under-represented gender on the company's other management levels. In accordance with this policy the Company 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. A description of the policy and reporting on the gender composition can be found in A.P. Møller - Mærsk A/S' sustainability report which is available on the website:

http://files.shareholder.com/downloads/ABEA-3GG91Y/6206204637x0x972428/F5554324-60AA-455A-A40B-084AB5A4B979/APMM_Sustainability_Report_2017_A3_180221_final.pdf

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

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Mærsk Olie og Gas A/S for 2017.

The annual report for 2017 of Mærsk Olie og Gas A/S has been prepared in accordance with Danish Financial Statements Act and in our opinion gives a true and fair view of the Group's and the Company's assets, liabilities and the financial position at 31 December 2017 and of the results of the Group's and the Company's operations and the consolidated cash flow for the financial year 2017.

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

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

Copenhagen, 1 May 2018

Executive Board: ____________________

Michael Simon Borrell

Board of Directors: ________________________ ________________________

Arnaud Breuillac (Chairman) — Martin Rune Pedersen

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Troels Albrechtsen

Independent auditors' report

To the shareholder of Mærsk Olie og Gas A/S

Opinion

In our opinion, the Consolidated Financial Statements (page 17 - 21) and the Parent Company Financial Statements (page 22 - 25) give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Mærsk Olie og Gas A/S for the financial year 1 January - 31 December 2017 (page 17 – 45), which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group 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 Financials Statements Act.

Based on the work we have performed, in our view, Directors´ Report is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement 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 Consolidated Financial Statements and Parent Company 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 Group's and the Parent 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 Group or the Parent 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 scepticism 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 1 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mads Melgaard

State Authorised Public Accountant
mne34354

MÆRSK OLIE OG GAS GROUP

INCOME STATEMENT
FOR 2017

USD 1,000

Note		2017	2016
1.	Revenue	3,921,639	4,733,159
	Other operating income	166,244	245,669
	Other operating cost	64,181	76,526
		4,023,702	4,902,302
2./3.	Operating expenses	1,958,027	2,078,850
	Gross Profit	2,065,675	2,823,452
2.	Exploration expenses	130,874	222,703
4./5.	Depreciation and impairment	538,024	1,159,813
	Gain/loss on sale of tangible and intangible assets	63,042	(11,520)
	Result before financial items and tax	1,459,819	1,429,417
7.	Financial income	45,533	61,190
8.	Financial expenses	230,342	293,686
	Result before tax	1,275,010	1,196,921
9.	Tax on result for the year	520,103	891,895
	Profit for the year – continuing operations	754,907	305,026
10.	Profit for the year – discontinuing operations 1)	201,635	0
	Result for the year	**956,542**	**305,026**

1) Maersk Oil Qatar is classified as discontinuing operation – comparative figures have not been restated.

MÆRSK OLIE OG GAS GROUP

BALANCE SHEET AT 31.12.2017

Note		USD 1,000 2017	2016
	ASSETS		
	NON-CURRENT ASSETS		
4.	Intangible assets		
	Software etc.	0	0
	CO_2 emission permits	7,990	5,630
	Oil rights	767,134	760,127
		775,124	765,757
5.	Property, plant and equipment		
	Production facilities etc.	3,692,752	3,868,298
	Production facilities etc. under construction	2,263,474	1,992,591
		5,956,226	5,860,889
	Financial assets		
6.	Securities	1,108	984
6.	Receivables	415,381	416,228
12.	Long term deposit	18,082	22,184
		434,571	439,396
	TOTAL NON-CURRENT ASSETS	7,165,920	7,066,042
	CURRENT ASSETS		
	Inventories	328,295	295,922
13.	Deferred tax asset	443,183	354,804
	Receivables		
	Receivables from sale of oil and gas	392,134	478,439
12.	Receivables Group companies	1,589,219	3,640,727
	Receivables Joint Venture partners	144,944	148,680
	Other receivables including tax	185,555	140,017
14.	Prepayments	41,697	107,883
		2,353,548	4,515,746
	Cash	74,655	45,811
	TOTAL CURRENT ASSETS	3,199,681	5,212,283
	TOTAL ASSETS	**10,365,601**	**12,278,324**

MÆRSK OLIE OG GAS GROUP

BALANCE SHEET AT 31.12.2017

Note		USD 1,000 2017	2016
	EQUITY AND LIABILITIES		
	EQUITY		
	Share capital	30,086	29,925
	Retained earnings	2,485,449	4,824,981
	Dividends	3,321,379	0
		5,836,914	4,854,906
	NON-CURRENT LIABILITIES		
13.	Deferred tax	157,818	55,272
16.	Other provisions	2,661,258	2,912,587
	Loan from group companies	0	2,178,526
		2,819,076	5,146,385
	CURRENT LIABILITIES		
	Pensions and similar provisions	0	13,325
16.	Other provisions	200,306	334,034
	Trade payables	639,038	761,739
	Loan from group companies	385,024	458,043
12.	Payables to group companies	133,510	237,549
	Tax	108,057	76,998
	Other payables	242,323	222,096
	Deferred income	1,353	173,248
		1,709,611	2,277,033
	TOTAL LIABILITIES	4,528,687	7,423,418
	TOTAL LIABILITIES AND EQUITY	**10,365,601**	**12,278,324**

17. Contingencies etc.
18. Related parties
19. Subsequent events

MÆRSK OLIE OG GAS GROUP

CASH FLOW STATEMENT

FOR 2017

	USD 1,000	
	2017	**2016**
Result before financial items and tax 1)	1,992,344	1,174,777
Depreciation and impairment 1)	689,852	982,765
Other non-cash items	(306,196)	(212,713)
Change in working capital etc.	(166,132)	139,121
Cash flow from operating activities before financial items	2,209,870	2,083,950
Financial income	83,484	26,278
Financial expenses	(153,384)	(207,002)
Taxes paid	(896,375)	(628,790)
Cash flow from operating activities	**1,243,595**	**1,274,436**
Purchase of intangible assets and property, plant and equipment and purchase of subsidiaries and activities	(1,062,329)	(1,595,103)
Sale of intangible assets and property, plant and equipment	94,456	38,010
Cash flow used for investing activities	**(967,873)**	**(1,557,093)**
Proceeds from new loans	0	548,538
Repayment of loans	(2,248,760)	0
Cash flow from financing activities	**(2,248,760)**	**548,538**
Net cash flow for the year	**(1,973,038)**	**265,881**
Liquid funds etc. at 1 January	3,555,658	3,281,630
Contributed balances A.P.Moller-Maersk oil activity	0	5,743
Exchange rate adjustments	2,440	2,404
Liquid funds etc. at 31 December	**1,585,060**	**3,555,658**
Comprising:		
On demand deposit with group company	1,510,405	3,503,829
Liquid funds etc. 2)	74,655	51,829
	1,585,060	**3,555,658**

1) Including both continued and discontinued operations.
2) Liquid funds etc. of tUSD 74,655 includes restricted cash of tUSD 8,787 per 31 December 2017 (2016: tUSD 12,713).

MÆRSK OLIE OG GAS GROUP

STATEMENT OF CHANGES IN EQUITY AT 31.12.2017 (USD 1,000)

	Share capital	Retained earnings	Dividends	Total
Equity 01.01	29,925	4,408,755	0	4,438,680
Contribution of assets (Danish Business Unit)	161	416,066	0	416,227
Equity after contribution of assets	30,086	4,824,821	0	4,854,907
Profit for the year	0	956,542	0	956,542
Transaction with owners, cf. contribution of assets	0	(25,924)	0	(25,924)
Value adjustment of hedging instrument	0	51,389	0	51,389
Extraordinary dividend	0	(3,321,379)	3,321,379	0
Equity 31.12	**30,086**	**2,485,449**	**3,321,379**	**5,836,914**

MÆRSK OLIE OG GAS A/S
INCOME STATEMENT
FOR 2017

Note		USD 1,000 2017	2016
1.	Revenue	913,811	736,329
	Other operating income	175,214	210,200
		1,089,025	946,529
2.	Operating expenses	349,782	275,015
	Gross Profit	739,243	671,515
2./3.	Administrative expenses	225,716	278,409
2.	Exploration expenses	13,132	89,669
5.	Depreciation and impairment reversal	(55,760)	189,220
	Result before financial items and tax	556,155	114,217
6.	Result after tax in subsidiaries	511,468	243,992
7.	Financial income	29,508	31,689
8.	Financial expenses	67,347	58,774
	Result before tax	1,029,784	331,123
9.	Tax on result for the year	274,877	26,097
	Profit for the year – continued operations	754,907	305,026
10.	Profit for the year – discontinued operations 1)	201,635	0
	RESULT FOR THE YEAR	**956,542**	**305,026**

11. Proposed distribution of net profit

1) Maersk Oil Qatar is classified as discontinuing operation – comparative figures have not been restated.

MÆRSK OLIE OG GAS A/S

BALANCE SHEET AT 31.12.2017

Note		USD 1,000 2017	2016
	ASSETS		
	NON-CURRENT ASSETS		
5.	Property, plant and equipment		
	Production facilities etc.	1,063,530	1,140,374
	Production facilities etc. under construction	43,696	110,696
	Fixtures, fittings, tools and equipment	0	25
	Land and buildings etc	6,111	6,714
		1,113,337	1,257,809
	Financial assets		
6.	Investment in subsidiaries	3,436,045	3,609,958
12.	Derivatives	5,635	14,527
6.	Receivables	415,381	416,228
		3,857,061	4,040,713
	TOTAL NON-CURRENT ASSETS	4,970,398	5,298,521
	CURRENT ASSETS		
	Inventories	48,401	38,379
13.	Deferred tax asset	79,367	103,250
	Receivables		
	Trade receivables	30,925	10,961
12.	Receivables Group companies	2,577,505	1,097,175
	Receivables Joint Venture partners	144,944	148,680
	Other receivables	12,719	10,049
14.	Prepayments	13,057	14,453
		2,779,150	1,281,318
	Cash	35,096	18,946
	TOTAL CURRENT ASSETS	2,942,014	1,441,893
	TOTAL ASSETS	**7,912,412**	**6,740,413**

MÆRSK OLIE OG GAS A/S

BALANCE SHEET AT 31.12.2017

Note		USD 1,000 2017	2016
	LIABILITIES AND EQUITY		
	EQUITY		
15.	Share capital	30,086	29,925
	Retained earnings	2,485,449	4,824,981
	Dividend for distribution	3,321,379	0
		5,836,914	4,854,906
	NON-CURRENT LIABILITIES		
16.	Other provisions	1,264,881	1,452,236
		1,264,881	1,452,236
	CURRENT LABILITIES		
	Other provisions	18,550	34,300
	Trade payables	200,398	198,604
	Loans from group companies	384,981	0
12.	Payables to group companies	66,369	94,781
	Tax	77,217	47,628
	Deferred income	0	88
	Other payables	63,102	57,870
		810,617	433,271
	TOTAL LIABILITIES	2,075,498	1,885,507
	TOTAL LIABILTIES AND EQUITY	**7,912,412**	**6,740,413**

17. Contingencies etc.
18. Related parties
19. Subsequent events

MÆRSK OLIE OG GAS A/S

STATEMENT OF CHANGES IN EQUITY AT 31.12.2017
(USD 1,000)

	Share capital	Net revaluation according to the equity method	Retained earnings	Dividends	Total
Equity 01.01	29,925	0	4,408,755	0	4,438,680
Contribution of net assets (Danish Business Unit)	161	0	416,066	0	416,227
Equity after contribution of assets	30,086	0	4,824,821	0	4,854,907
Profit for the year(1)	0	713,103	243,439	0	956,542
Dividends from subsidiaries		(1,482,526)	1,482,526	0	0
Transaction with owners, cf. above	0	0	(25,924)	0	(25,924)
Value adjustment of hedging instrument	0	23,338	28,051	0	51,389
Transfer to Retained earnings	0	746,085	(746,085)	0	0
Extraordinary dividend	0	0	(3,321,379)	3,321,379	0
Equity 31.12	**30,086**	**0**	**2,485,449**	**3,321,379**	**5,836,914**

1) Including continued and discontinued operations.

MÆRSK OLIE OG GAS A/S

Notes as at 31.12.2017
(USD 1,000)

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Note 1, Revenue				
Segments (geographical)				
Qatar	0	1,925,600		
United Kingdom	1,217,517	1,219,532		
Algeria	612,454	554,110		
Kazakhstan	124,742	71,845		
Norway	6,883	0		
USA	137,806	121,514		
Kurdistan	20,689	7,130		
Denmark	1,801,547	833,429	913,811	736,329
	3,921,639	4,733,159	913,811	736,329

	Group		Parent company	
	2017	**2016**	**2017**	**2016**
Note 2, Staff costs				
Salaries	370,752	531,457	176,126	191,178
Pension contribution	24,061	39,876	13,030	14,984
Other social security costs	18,769	23,753	3,376	2,759
	413,582	595,086	192,533	208,921
Executive and board remuneration	2,486	4,437	2,486	4,437
Average number of employees in Mærsk Olie og Gas A/S	3,219	2,589	1,823	575

Staff costs included in the income statement for the Group are contained under the items operating expenses, exploration expenses, profit from discontinued operations and in the balance sheet under production facilities etc. under construction.

In previous years there were no formal employees in Mærsk Olie og Gas A/S parent company since all those engaged were employed by Rederiet A.P.Møller A/S. During the financial year 2017 the employees have been transferred to Mærsk Olie og Gas A/S. The note has been changed to reflect this, including restatement of comparison figures.

Note 2, Staff costs, (continued)

The A.P. Møller – Maersk Group has a restricted and performance shares program, comprising approximately 20 people in the Mærsk Olie og Gas Group including management. The transfer of restricted shares is contingent on the employee still being permanently employed and takes place when three years have passed from the time of granting. The value of the restricted shares granted in 2017 to employees in the Mærsk Olie og Gas Group is estimated at approximately USD 1.3 million (2016: USD 1.6 million) which is recognised in the Income Statement.

The value of the performance shares granted in 2017 to employees in the Mærsk Olie og Gas Group is estimated at USD 0.0 million (2016: USD 0.3 million).

Note 3, Administration expenses

		Group		Parent company	
USD 1,000		**2017**	**2016**	**2017**	**2016**
For the statutory auditors:					
PwC incl. network firms:	Audit	791	771	303	190
	Other assurance services	32	0	32	0
	Tax and VAT advisory services	543	469	109	450
	Other services	568	1,051	457	1,030
	Total	1,934	2,291	901	1,670

Note 4, Intangible assets

	Group			
	2017	2017	2017	2017
USD 1,000	Software etc.	CO_2 Emission Permits	Oil rights	Total
Cost at 01.01	76,046	7,121	7,406,492	7,489,659
Additions during the year	0	2,360	75,000	77,360
Disposals during the year	(5,861)	0	(235,817)	(259,791)
Transferred	0	0	0	0
Cost price 31.12	70,185	9,481	7,227,675	7,307,341
Depreciation and impairment losses at 01.01	76,046	1,491	6,646,365	6,723,902
Disposals during the year	(5,974)	0	(239,334)	(245,308)
Depreciation and amortisation for the year	113	0	53,510	53,623
Transferred	0	0	0	0
Depreciation, amortisation and Impairments at 31.12	70,185	1,491	6,460,541	6,532,217
Carrying amount 31.12	0	7,990	767,134	775,124

Note 5, Property, plant and equipment

	Group		
	2017	2017	2017
USD 1,000	Production facilities, buildings etc.(2)	Production facilities etc. under con-struction	Total
Cost at 01.01	25,548,586	2,963,123	28,511,709
Additions during the year, including change in abandonment	(312,294)	1,125,811	813,517
Disposals during the year	(9,333,146)	(7,563)	(9,340,709)
Transferred	1,029,304	(1,029,304)	0
Cost price 31.12	16,932,450	3,052,067	19,984,517
Depreciation and impairment losses at 01.01	21,680,288	970,532	22,650,820
Disposals during the year	(9,317,475)	(6,690)	(9,324,165)
Depreciation and amortisation for the year(1)	1,009,354	310	1,009,664
Impairment for the year (reversal)	(308,028)	0	(308,028)
Transferred	175,559	(175,559)	0
Depreciation, amortisation and Impairments at 31.12	13,239,698	788,593	14,028,291
Carrying amount 31.12	3,692,752	2,263,474	5,956,226

Ownership of fixed assets in Qatar was transferred to the state-owned oil company, Qatar Petroleum. The carrying value at the time of transfer was USD nil.

Property, plant and equipment in Algeria with the right of use are included with a carrying amount of total USD 357 million (2016: USD 409 million). The consortium maintains the right of use until termination of the concession.

1) Including continued and discontinued operations.

2) Hereof buildings in Denmark, Esbjerg (USD 5 million).

Note 5, Property, plant and equipment, (continued)

	Parent company				
	2017	2017	2017	2017	2017
USD 1,000	Production facilities, buildings etc.	Production facilities etc. under construction	Fixtures, fittings, tools & equipment	Land and buildings etc.	Total
Cost at 01.01	6,424,357	110,696	3,873	7,559	6,546,485
Additions during the year, including change in abandonment	(250,830)	50,598	0	0	(200,232)
Disposals during the year	0	0	(800)	0	(800)
Transferred	117,598	(117,598)	0	0	0
Cost price 31.12	6,291,125	43,696	3,073	7,559	6,345,453
Depreciation and impairments at 01.01	5,283,983	0	3,848	845	5,288,676
Depreciation and impairment during the year (reversals)	(56,387)	0	25	602	(55,760)
Disposals during the year	0	0	(800)	0	(800)
Depreciation and impairments at 31.12	5,227,595	0	3,073	1,448	5,232,116
Carrying amount 31.12	1,063,530	43,696	0	6,111	1,113,337

Note 6, Financial assets

	Group	
	2017	2017
USD 1,000	Long term receivables	Securities
Cost at 01.01	416,228	984
Additions during the year	0	124
Divestment during the year	847	0
Cost price 31.12	415,381	1,108
Value adjustments at 01.01	0	0
Adjustments during the year	0	0
Value adjustments at 31.12	0	0
Carrying amount 31.12	415,381	1,108

	Parent company	
	2017	2017
USD 1,000	Long term receivables	Shares in subsidiaries
Cost at 01.01	416,228	12,135,844
Additions during the year	0	572,172
Divestment during the year	847	0
Cost price 31.12	415,381	12,708,016
Value adjustments at 01.01	0	(8,525,886)
Divestment during the year	0	0
Share of subsidiaries profit after tax	0	713,103
Dividends	0	(1,482,526)
Other equity adjustments in subsidiaries	0	23,338
Value adjustments at 31.12	0	(9,271,971)
Carrying amount 31.12	415,381	3,436,045

As of the carrying amount at tUSD 3,436,045, subsidiaries with a negative equity are included with amount of tUSD -111,105.

Note 6, Financial assets (continued)

As of 31 December 2017, Mærsk Olie og Gas A/S is a wholly-owned subsidiary of A.P. Møller – Mærsk A/S (Copenhagen) and is included in the accounts for the A.P. Moller – Maersk Group and is the parent company for the following directly or indirectly subsidiaries (100% owned if not otherwise indicated):

Maersk Oil Qatar A/S, Copenhagen
Mærsk Olie Algeriet A/S, Copenhagen
Maersk Oil Colombia A/S, Copenhagen
Maersk Oil Angola A/S, Copenhagen
Maersk Oil Angola Holdings A/S, Copenhagen
    Maersk Oil Angola Sixteen Holdings Ltd., British Virgin Islands
        Maersk Oil Angola Sixteen Ltd., British Virgin Islands
Maersk Energy Marketing A/S, Copenhagen
Maersk Oil Kalaallit Nunaat A/S, Copenhagen
Maersk Oil Kurdistan A/S, Copenhagen
Maersk Oil Kurdistan Piramagrun Holdings A/S, Copenhagen
    Maersk Oil Kurdistan Piramagrun A/S, Copenhagen
Maersk Oil NCE A/S, Copenhagen
    Maersk Oil Kurdistan Qala Dze A/S, Copenhagen
Maersk Oil Middle East A/S, Copenhagen
Maersk Oil Exploration Netherlands B.V., The Netherlands
    Maersk Oil Ethiopia A/S, Copenhagen
Maersk Oil Norway AS, Norway
Maersk Oil Three PL B.V., The Netherlands
    Maersk Energia Ltda., Brazil (owned by Maersk Oil Three PL B.V. (99.99%) and Mærsk Olie og Gas A/S (0.01%))
Maersk Oil Brasil Ltda., Brazil (owned by Mærsk Olie og Gas A/S (99.99%) and Maersk Oil Three PL B.V. (0.01%))
Maersk Oil Kazakhstan GmbH., Germany
Maersk Oil Exploration International Ltd., United Kingdom
    Maersk Oil Exploration International K1 Ltd., United Kingdom
    Maersk Oil Exploration International K2 Ltd., United Kingdom
    Maersk Oil Exploration International K3 Ltd., United Kingdom

Note 6, Financial assets (continued)

Maersk Oil Houston Inc., USA
- Maersk Oil Gulf of Mexico One LLC, USA
- Maersk Oil Gulf of Mexico Two LLC, USA
- Maersk Oil Gulf of Mexico Three LLC, USA
- Maersk Oil Gulf of Mexico Four LLC, USA

Maersk Energy UK Ltd., United Kingdom
- Maersk Oil GB Ltd., United Kingdom
  - Maersk Oil UK Ltd., United Kingdom
  - Maersk Oil North Sea UK Ltd., United Kingdom
    - Maersk Oil Resources UK Ltd., United Kingdom

Maersk Oil Kazakhstan E&P Ltd., United Kingdom

	Group		Parent company	
USD 1,000	**2017**	**2016**	**2017**	**2016**
Note 7, Financial income				
Interest income	1,366	19,472	200	17,140
Interest income from group companies	28,002	23,535	14,619	3,702
Other financial income	10,406	8,488	10,406	8,488
Exchange rate adjustments etc.	5,739	9,695	4,463	2,359
	45,513	61,190	29,508	31,689
Note 8, Financial expenses				
Interest expenses	3,358	570	3,139	1
Interest expenses to group companies	117,352	151,329	2,796	5,933
Other financial expenses	99,622	102,992	52,593	39,650
Exchange rate adjustments etc.	10,011	38,795	8,819	13,190
	230,342	293,686	67,347	58,774

Note 9, Corporate tax

Tax on profit for the year, USD 520 million (2016: 892 million) comprises taxes in subsidiaries, USD 245 million (2016: USD 866 million) and tax in the parent company, USD 275 million (2016: USD 26 million).

Note 10, Profit on discontinued operations

Income statement – discontinued operations

USD 1,000	**2017**
Revenue	1,061,687
Other operating income	18,783
Operating expenses	330,710
Depreciation and write-down	217,235
Profit before financial items and tax	532,525
Net financial expense	23,077
Tax on profit for the year	307,813
Profit for the year – discontinued operations	**201,635**

Cash flow statement – discontinued operations

Cash flow from operating activities	279,905
Cash flow used for investing activities	42
Cash flow from financing activities (including paid dividends)	-273,811
Net cash flow from discontinued operations	**6,052**

Maersk Oil Qatar is classified as discontinued operations. Comparative figures for 2016 have not been restated.

Note 11, Proposed distribution of net profits

USD 1,000	**2017**	**2016**
Extraordinary dividend	3,321,379	0
Reserve for net revaluation according to the equity method	713,103	243,992
Retained earnings	(3,077,940)	61,034
	956,542	305,026

Note 12, Derivatives

The extent and nature of the Company's long term deposits is stated in the income statement and balance sheet according to accounting policies.

	Group		Parent company	
USD 1,000	**2017**	**2016**	**2017**	**2016**
Non-current receivables	18,082	22,184	5,635	14,527
Current receivables	17,748	13,174	13,451	6,250
Current liabilities	18,916	51,842	5,344	30,029
Receivables/liabilities, net	16,914	(16,484)	13,742	(9,252)

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

Commodity derivatives	9,132	10,897	0	0
Cash flow derivatives	7,782	(27,381)	13,742	(9,252)
Total 31.12	16,914	(16,484)	13,742	(9,252)

Commodity derivatives comprise of futures and swaps and are settled on a day to day basis at market price.

Cash flow derivatives comprise of spot and forward contracts and are measured at market value.

Fair values of open positions are primarily subject to change in respect of oil price changes and currency exchange rates.

The cash flow hedges have maturity within 1 year and are mainly in place to secure cash flows in NOK for the Johan Sverdrup project and in GBP for the Culzean project.

Note 13, Deferred tax

	Group		Parent company	
USD 1,000	**2017**	**2016**	**2017**	**2016**
Deferred tax asset				
Deferred tax asset at 01.01	354,804	343,238	103,250	29,664
Deferred tax adjustment on equity	0	20,862	0	0
Deferred tax adjustment during the year	88,379	(9,296)	(23,883)	73,586
Deferred tax asset at 31.12	443,183	354,804	79,367	103,250

Deferred tax asset mainly relates to the oil and gas interests in the Danish and Norwegian sector of the North Sea and US Gulf of Mexico.

	Group		Parent company	
USD 1,000	**2017**	**2016**	**2017**	**2016**
Deferred tax liability				
Deferred tax liability at 01.01	55,272	0	0	0
Deferred tax adjustment on equity	(15,682)	0	0	0
Deferred tax adjustment during the year	118,228	55,272	0	0
Deferred tax liability at 31.12	157,818	55,272	0	0

Deferred tax liability mainly relates to the oil and gas interests in the British sector of the North Sea.

Note 14, Prepayments

Prepayments mainly include prepayments to operators, insurance expenses, rental expenses and other costs related to future periods.

Note 15, Share Capital

Share capital consists of the following shares:	Number	Nominal, DKK	Number	Nominal, DKK
	1,000	1,000	4	1,000,000
	4	5,000	1	1,500,000
	13	10,000	2	2,500,000
	67	50,000	2	4,000,000
	2	250,000	2	5,000,000
	128	500,000	4	10,500,000
	6	750,000	2	15,000,000
			Total nominal	174,000,000

Share capital, changes:	
Increase of capital 8 December 2017	1,000,000

Note 16, Provisions

Group:

Other non-current provisions include discounted abandonment provisions USD 2,516 million (2016: USD 2,737 million) and other obligations with USD 145 million (2016: USD 176 million).

Other current provisions include discounted abandonment provisions USD 165 million (2016: USD 248 million) and other obligations USD 35 million (2016: USD 86 million).

Parent company:

Other non-current provisions include discounted abandonment provisions USD 1,140 million (2016: USD 1,335 million) and other obligations with USD 125 million (2016: USD 117 million).

Other current provisions include discounted abandonment provisions USD 14 million (2016: USD 30 million) and other obligations USD 5 million (2016: USD 4 million).

Provisions are recognised based on specific estimates and the amounts as well as timing of payments are subject to variations.

Note 17, Contingencies

Group:

Contingent assets include mainly exploration costs incurred, which according to some agreements will be compensated if production of hydrocarbons is carried out.

As an ordinary part of both Mærsk Olie og Gas A/S' and its subsidiaries' activities, field development plans are signed and drilling and production rigs are chartered.

When exploration and production are undertaken abroad, each subsidiary together with its partners is jointly liable for the contractual obligations.

At the end of 2017, the Maersk Oil and Gas Group have capital commitments etc. amounting to USD 2.1 bn. (2016: USD 2.2 bn.). Included in this amount is chartering of drilling and production rigs etc. USD 2.0 bn. (2016: USD 2.0 bn.), operating lease obligations USD 0.1 bn. (2016: USD 0.1 bn.) and work obligations etc. USD 40 million (2016: USD 66 million).

As of 31 December 2017, the company and Danish subsidiaries are jointly taxed with Danish companies within the A.P. Moller - Maersk 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 in Maersk Oil and Gas Group companies.

Parent company:

The parent company vouches for its subsidiaries' obligations through performance guarantees with variable periods, which may comprise considerable amounts.

At the end of 2017, Maersk Oil & Gas has capital commitments etc. amounting to USD 373 million. (2016: USD 121m). Included in this amount is chartering of drilling and production rigs etc. USD 319 million. (2016: USD 96m), operating lease obligations are amounting to USD 54 million. (2016: USD 25 million).

The Company is currently involved in pending litigations and investigations. While provisions that management deems to be reasonable and appropriate have been made for probably losses, there are uncertainties connected with these estimates. A ruling has been made in relation to a dispute between the Company and the Danish tax authorities. The Company does not expect the ruling to have a material impact on the financial position or operating profit.

Note 18, Related parties

Companies in the A.P. Moller - Maersk Group and the Executive board and board members of the company are related parties. All transactions are carried out at arm´s length.

Parties exercising control

As of 31 December 2017, the company is 100% owned by A.P. Møller - Mærsk A/S.

The consolidated financial statements of the A.P. Moller - Maersk Group is available at the Company's address, Esplanaden 50, 1098 Copenhagen K, Denmark.

A.P. Møller Holding A/S, Copenhagen, Denmark has control over A.P. Møller - Mærsk A/S and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

Note 19, Subsequent events

On 9 March 2018 the Company disposed 100% of the shares in Maersk Oil Norway AS for a total consideration of USD 1.5 billion (enterprise valuation to be adjusted depending on the finalisation of the purchase price allocation). The disposal has no impact on the 2017 Financial Statements.

We are not aware of any other events after the balance sheet date of December 31, 2017, which expectedly would have a material impact on Mærsk Olie og Gas A/S´ financial position.

Note 20, Accounting Policies

The Annual Report for 2017 of Mærsk Olie og Gas A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to large class C companies.

The accounting policies for the Financial Statements are unchanged from last year. The accounting estimates for recognition of "underlift" have been changed with limited effect on the Financial Statements of the year. The comparison period has not been changed due to insignificance.

Mærsk Olie og Gas A/S has with reference to the Danish Financial Statements Act § 86 section 4 refrained from preparing cash flow statement for the parent company.

Presentation, classification and designations in the income statement and balance sheet have been adjusted to the special nature of the company. That includes i.e. gain/loss on sale of tangible and intangible assets and exploration costs being presented separately.

Contribution

The contribution of the oil and gas activities from A.P. Møller - Mærsk A/S to Mærsk Olie og Gas A/S is an intra-group transaction. The consideration is therefore based on the historical net assets as of 1 January 2017 (net book value) calculated on the basis of the receiving company's accounting policies and all assets and liabilities are considered transferred at these historical value and added to the Company's balance sheet as of 1 January 2016. Comparative figures for 2016 have been restated.

Consolidated Accounts

The consolidated financial statements comprise the entities controlled by Mærsk Olie og Gas A/S.

The consolidated financial statements are prepared by combining the financial statements of the parent company and the individual subsidiaries. Intercompany income and expenses, intercompany balances and dividends are eliminated.

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 6.2067 at 31 December 2017 (2016: DKK 7.0550).

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.

Derivatives

Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledge valuation techniques based on relevant observable swap curves and exchange rates.

Changes to the value of derivatives used to hedge the value of recognised financial assets or liabilities are recognised in the income statement together with the changes in the value of the hedged assets or liabilities.

Changes to the value of derivatives used to hedge future transactions are recognised directly in equity until the hedged transactions are realised at which time value changes are included in the hedged transactions.

Derivatives classified as held for trading are recognised at fair value. Any change in fair value for oil price derivatives is recognised in the income statement under other income/costs.

Based on the use of the equity method, derivatives in the parent company used to hedge transactions in subsidiaries are in the parent company's annual report recognised consistently with the recognition on group level.

The Income Statement

Revenue comprises the value of the company's (Group's) share of the oil and gas production as well as oil traded. If the company (Group) sells more or less than its share of the produced oil (overlift/underlift), this is recognised at sales price in the balance sheet under "Deferred income/Inventory". In agreements where tax is settled in oil, this tax is recognised both as revenue and tax.

Business activities are seen as one segment and are reported as oil and gas production and exploration activities, which is in line with the internal management reporting.

Geographical split on revenue is based on geographical location where the asset is located.

Other operating income comprises operator fee, administrative fee and recharges/timewriting, gain on derivatives held for trading and gains by sale of licence shares, etc. In the parent company, the operating income consists of services provided to subsidiaries as well as operator fee.

Other operating cost comprises loss on derivatives held for trading.

Production expenses comprise costs incurred in generating the revenue for the year including purchase of oil and gas.

Exploration and evaluation expenses are capitalised unless the costs do not qualify for capitalisation, and are then recognised in the income statement as incurred. Expenses for initial surveys incurred before acquisition of licence for hydrocarbon extraction are also included in the income statement as they are incurred.

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 and its Danish subsidiaries are jointly taxed with a number of Danish companies in the A.P. Moller - Maersk 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. Furthermore, tax cost includes oil tax based on gross measures.

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.

Discontinued operations are presented separately in the income statement without restatement of comparison figures. The revenue and cost are following the general accounting standards where applicable.

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.

Intangible assets in connection with acquired oil resources (concession rights, etc.) are amortised from commencement of production and over the fields' expected production periods. Acquired exploration rights are amortised from the date of acquisition for a period up to five years.

IT software is amortised over a useful life of 3-5 years.

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

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. Cost includes the net present value of estimated costs of abandonment, removal and restoration. 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 determined individually for each development plan.

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.

Fixtures and operating equipment are depreciated within three years.

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.

Investments in subsidiaries are recognised and valued at the company's share of the subsidiaries' equity according to the equity method. In the income statement, the result from the subsidiaries is recognised after tax.

Investments in associated companies are recognised as the Group´s share of the equity value measured according to the Group´s accounting policies. In the income statement, the result from the associated companies is recognised after tax.

Long-term financial receivable is recognised as the discounted value of future tax benefits from abandonment obligations not included in deferred tax asset.

Inventories are measured at cost, following the FIFO method. Write-down is made to net realisable value if lower. Underlift is measured at market price.

Deferred tax asset is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset is recognised to the extent that it is probable that it can be utilised within a foreseeable future.

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.

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

The reserve for hedges on equity includes the accumulated net change in the fair value of transactions qualifying for cash flow hedge accounting.

Provisions are recognised when the Group has an existing legal or actual obligation and includes actuarial calculated pension obligations, deferred tax and provision for abandonment of oil fields, etc. Provisions are recognised on the basis of best estimates and considering 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.

Cash Flow Statement

The cash flow statement shows the Group's cash flow for the year divided into cash flow from operations, cash flow used for investments and cash flow from financing activities.

Cash flow from operating activities includes all cash transactions other than cash flows arisen from investments and divestments, principal payments of loans and equity transactions.

Liquid funds etc. include cash and bank debt as well as interest-bearing on demand deposits with affiliated companies.