Mærsk Olie og Gas A/S

CVR-No. 22757318

Annual Report 2016

Approved at the General Assembly: 4 May 2017
Chairman of the meeting: Majbritt Perotti Carlson

Esplanaden 50, 1263 Copenhagen K

Content

Company information

Mærsk Olie og Gas A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.:	22757318
Date of incorporation:	26 September 1962
Registered office:	Copenhagen
Financial year:	01 January 2016 - 31 December 2016

Board of Directors

Claus V. Hemmingsen (Chairman)
Graham Stuart Talbot
Gretchen H. Watkins

Executive Board

Gretchen H. Watkins

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Directors´ Report

Activities

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.

Financial review

Financial performance for the year

The 2016 results show a profit of USD 106 million, which is significantly above management expectations and higher than the loss for 2015 (USD -2,200 million). The result was USD 2,306 million higher than 2015 due to impairments in 2015 of USD 2,448 million mainly caused by the lower oil price.

The result was positively impacted by a higher entitlement production of 258 thousand boepd (252 thousand boepd), higher production efficiency, lower operating expenses of USD 2.5 billion (USD 3.4 billion), lower exploration costs of USD 215 million (USD 381 million), lower impairments and a reduction of the abandonment provision related to the fully depreciated Leadon and Janice fields in the UK of USD 93 million. This is offset by the oil price declining to an average of USD 44 compared to USD 52 in 2015.

Cash flow from operating activities was USD 1.3 billion (USD 1.4 billion).

Guidance for 2017

Maersk Oil expects a positive result in 2017. 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 and exploration cost is expected to be at the same level as for 2016.

Key figures for the Maersk Oil Group are as follows:

USD million	2016	2015	2014	2013	2012
Income statement:					
Revenue	4,657	5,829	7,645	7,014	7,258
Profit before financial items and tax	1,175	(1,975)	202	2,244	2,775
Financial items, net	(210)	(161)	(67)	(56)	(1)
Profit for the year after tax	106	(2,200)	(1,424)	295	1,462
Balance sheet:					
Total assets	10,457	10,103	11,939	12,635	12,253
Investments in property, plant and equipment	1,025	2,088	2,312	1,726	1,604
Equity	4,439	4,377	6,561	8,015	7,713

Production

In 2016, Maersk Oil invested USD 1.6 billion in production facilities and oil rights etc., compared to USD 1.9 billion in 2015, primarily in UK, Kenya, Norway and the US.

Qatar

Daily entitlement production in Qatar was 134 thousand boepd (131 thousand boepd in 2015). The increase was due to higher production efficiency and higher sharing following the decline in oil price.

United Kingdom

In the UK, entitlement production was 75 thousand boepd (71 thousand boepd in 2015) positively affected by a strong operational performance.

Algeria

Algeria's entitlement oil production reached 35 thousand boepd (34 thousand boepd in 2015).

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Brazil

Maersk Oil concluded the divestment of the Polvo field in February 2016 and no longer holds producing assets in Brazil.

Kazakhstan

Entitlement share of the oil production was at a level of 6 thousand boepd during 2016 (6 thousand boepd in 2015).

US

The Group's entitlement share of the oil production from the Jack field (on stream in 2014) increased due to the drilling of new wells to a level of 9 thousand boepd during 2016 (6 thousand boepd in 2015).

Kurdistan

In the Kurdistan Region of Iraq, the Sarsang project delivered 0.4 thousand boepd in 2016 entitlement production (0.7 thousand boepd).

Denmark

Maersk Oil is the operator for Dansk Undergrunds Consortium (DUC). In 2016, production of crude oil from DUC's fields in the Danish part of the North Sea reached an average of 115 thousand barrels of oil per day (bopd), 12% lower than in 2015 (130 thousand bopd). The total gas production in 2016 was 3.4 billion m3 or on average 60 thousand boepd, 3% lower than in 2015 (62 thousand boepd). The lower oil and gas production was caused by decreasing production from mature fields, partly offset by the ramp up from the unmanned Tyra SE platform coming on stream in Q1 2015. The level of investments in the Danish sector of the North Sea is still significant and the DUC investments in the field development amounted to USD 0.4 billion in 2016 which is at the same level as in 2015 (USD 0.3 billon). During 2016, six new development wells were completed (four wells in 2015).

In addition to production activities, Maersk Oil also conducts exploration activities

Development

The Johan Sverdrup project in Norway was sanctioned in Q3 2015. Maersk Oil holds an 8.44 percent 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 20 for the first phase.

In UK, the Culzean high-pressure/high-temperature gas project is expected to supply the UK with 5% of its gas consumption by 2020. Drilling of production wells commenced in Q3 2016 and first production is planned in the second half of 2019. The project is progressing on schedule and has achieved cost reductions of USD 500m or 11% of total development cost since sanctioning in 2015. The Flyndre field, a subsea tie back to existing infrastructure, came on stream end of Q1 2017.

In the US Gulf of Mexico, the Jack field is progressing to produce above expectations and where a second phase including two more wells was approved in early 2016. The Buckskin project was deemed uneconomic and was relinquished in 2016.

In Qatar, as a consequence of not winning the tender for Al Shaheen, Maersk Oil is working to deliver safe and efficient operations at Al Shaheen in the remaining months of its licence period and will exit Qatar in July 2017 following transition to a new operator.

In Angola, the Chissonga project is challenged due to the low 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 as operator for DUC and in the UK as well as in Norway)
- Kenya (with Tullow as operator), where the Lokichar discovery is being further assessed.

Maersk Oil completed one exploration/appraisal well compared to nine in 2015.

The Bagpuss exploration well in the UK encountered hydrocarbons, however not in commercially viable volumes.

In Greenland, Maersk Oil has decided to relinquish licences when expired end 2016.

More information on exploration is available at maerskoil.com

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 2016 was 2.5 per million working hours compared to 2.7 per million working hours in 2015. 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.

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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, and was around USD 50 per barrel by the end of the year resulting in an average of USD 44 per barrel in 2016. 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 with a target of USD 40-45 per barrel for 2017 onwards excluding Qatar.

Corporate Social Responsibility

Social responsibility is important for Maersk Oil's business and Maersk Oil continues its activities in line with the parent company A.P. Møller - Mærsk A/S' Sustainability Strategy. For more information, reference is made to the parent company A.P. Møller - Mærsk A/S' sustainability report on the website:

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

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 based on 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. As of 31 December 2016 one of the three shareholder-appointed Board members is a woman.

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: http://mrsk.co/174tNiF. In accordance with this policy Maersk Oil has taken steps to look into how the company can internally develop female talent into management as well as attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions. In Maersk Oil, we encourage women to pursue career opportunities and have a positive development on female representation throughout our workforce. By end of 2016, women formed 22% of our workforce and we target 27% by end of 2018. We also see a positive development in the female share of management positions from 8% in 2014 to 14% in 2016 and expect this trend to continue.

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

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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 2016.

The annual report for 2016 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 2016 and of the results of the Group's and the Company's operations and the consolidated cash flow for the financial year 2016.

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, 4 May 2017

Executive Board:

Gretchen H. Watkins

Board of Directors:

Claus V. Hemmingsen
(Chairman)

Graham Stuart Talbot

Gretchen H. Watkins

Independent auditors' report

To the shareholder of Mærsk Olie og Gas A/S

Opinion

In our opinion, the Consolidated Financial Statements (page 16 - 20) and the Parent Company Financial Statements (page 21 - 24) give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, 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 2016 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 2016 (page 16 – 42), 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

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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 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 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, 4 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mogens Nørgaard Mogensen	Mads Melgaard
State Authorised Public Accountant	State Authorised Public Accountant

MÆRSK OLIE OG GAS GROUP

INCOME STATEMENT
FOR 2016

USD 1,000

Note		2016	2015
1.	Revenue	4,656,531	5,828,775
	Other operating income	255,910	218,991
	Other operating cost	76,526	101,452
		4,835,915	5,946,314
2./3.	Operating expenses	2,463,535	3,390,722
	Gross Profit	2,372,380	2,555,592
2.	Exploration expenses	214,838	380,532
4./5.	Depreciation and impairment	971,245	4,151,911
	Gain/loss on sale of tangible and intangible assets	(11,520)	1,479
	Result before financial items and tax	1,174,777	(1,975,372)
7.	Financial income	33,794	44,235
8.	Financial expenses	244,209	205,254
	Result before tax	964,362	(2,136,391)
9.	Tax on result for the year	858,173	63,287
	Result for the year	**106,189**	**(2,199,678)**

MÆRSK OLIE OG GAS GROUP
BALANCE SHEET AT 31.12.2016

Note		USD 1,000 2016	2015
	ASSETS		
	NON-CURRENT ASSETS		
4.	Intangible assets		
	Software etc.	0	8,556
	CO_2 emission permits	5,630	7,121
	Oil rights	760,127	384,976
		765,757	400,653
5.	Property, plant and equipment		
	Production facilities etc.	2,726,341	3,472,125
	Production facilities etc. under construction	1,881,896	1,228,395
		4,608,237	4,700,520
6.	Financial assets		
	Securities	984	984
	Long term deposit	22,184	9,982
		23,168	10,966
	TOTAL NON-CURRENT ASSETS	5,397,162	5,112,139
	CURRENT ASSETS		
	Inventories	257,543	332,646
10.	Deferred tax asset	260,969	343,238
	Receivables		
	Receivables from sale of oil and gas	467,478	276,265
	Receivables Group companies	3,630,287	3,293,183
	Receivables Joint Venture partners	161,272	181,569
	Other receivables including tax	135,504	348,338
11.	Prepayments	100,749	118,474
		4,495,290	4,217,829
	Cash	46,155	77,011
	Assets held for sale	0	20,069
	TOTAL CURRENT ASSETS	5,059,957	4,990,793
	TOTAL ASSETS	**10,457,119**	**10,102,932**

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MÆRSK OLIE OG GAS GROUP

BALANCE SHEET AT 31.12.2016

Note		USD 1,000 2016	2015
	EQUITY AND LIABILITIES		
	EQUITY		
	Share capital	29,925	29,925
	Retained earnings	4,408,755	4,347,485
		4,438,680	4,377,410
	NON-CURRENT LIABILITIES		
	Pensions and similar provisions	0	7,558
10.	Deferred tax	55,272	0
13.	Other provisions	1,577,715	1,950,563
14.	Loan from group companies	2,178,526	1,771,927
		3,811,513	3,730,048
	CURRENT LIABILITIES		
	Pensions and similar provisions	13,325	0
13.	Other provisions	299,735	216,341
	Trade payables	781,596	1,000,044
	Loan from group companies	458,043	289,085
	Payables to group companies	232,279	151,245
	Tax	29,370	20,984
	Other payables	219,418	273,842
	Deferred income	173,160	21,849
	Liabilities associated with assets held for sale	0	22,084
		2,206,926	1,995,474
	TOTAL LIABILITIES	6,018,439	5,725,522
	TOTAL LIABILITIES AND EQUITY	**10,457,119**	**10,102,932**

15. Contingencies etc.
16. Related parties
17. Subsequent events

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MÆRSK OLIE OG GAS GROUP

CASH FLOW STATEMENT

FOR 2016

	USD 1,000	
	2016	**2015**
Result before financial items and tax	1,174,777	(1,975,372)
Depreciation and impairments	982,765	4,151,911
Other non-cash items	(212,713)	(110,919)
Change in working capital etc.	139,121	155,405
Cash flow from operating activities before financial items	2,083,950	2,221,025
Financial income	26,278	16,508
Financial expenses	(207,002)	(41,585)
Taxes paid	(628,790)	(791,329)
Cash flow from operating activities	**1,274,436**	**1,404,619**
Purchase of intangible assets and property, plant and equipment and purchase of subsidiaries and activities	(1,595,103)	(1,892,062)
Sale of intangible assets and property, plant and equipment	38,010	17,482
Cash flow used for investing activities	**(1,557,093)**	**(1,874,580)**
Proceeds from new loans	548,538	885,097
Cash flow from financing activities	**548,538**	**885,097**
Net cash flow for the year	**265,881**	**415,137**
Liquid funds etc. at 1 January	3,281,630	2,876,671
Exchange rate adjustments	2,404	(10,177)
Liquid funds etc. at 31 December	**3,549,915**	**3,281,630**
Comprising:		
On demand deposit with group company	3,503,760	3,204,619
Liquid funds etc. *	46,155	77,011
	3,549,915	**3,281,630**

* Liquid funds etc. of tUSD 46,155 includes restricted cash of tUSD 12,713 per 31 December 2016 (2015: tUSD 31,196).

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MÆRSK OLIE OG GAS GROUP

STATEMENT OF CHANGES IN EQUITY AT 31.12.2016
(USD 1,000)

	Share capital	Retained earnings	Total
Equity 01.01	29,925	4,347,485	4,377,410
Profit for the year	0	106,189	106,189
Value adjustment of hedging instrument	0	(44,919)	(44,919)
Equity 31.12	**29,925**	**4,408,755**	**4,438,680**

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MÆRSK OLIE OG GAS A/S
INCOME STATEMENT
FOR 2016

Note		USD 1,000 2016	2015
	Other operating income	220,442	225,303
2./3.	Administrative expenses	278,409	291,852
2.	Exploration expenses	81,804	76,288
5.	Depreciation and impairment	652	1,424
	Result before financial items and tax	(140,423)	(144,261)
6.	Result after tax in subsidiaries	243,992	(2,089,705)
7.	Financial income	4,293	20,381
8.	Financial expenses	9,298	2,150
	Result before tax	98,564	(2,215,735)
9.	Tax on result for the year	(7,625)	(16,057)
	RESULT FOR THE YEAR	**106,189**	**(2,199,678)**
	Proposed distribution of net profit:		
	Reserve for net revaluation according to the equity method	243,992	(2,089,705)
	Retained earnings	(137,803)	(109,973)
		106,189	**(2,199,678)**

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MÆRSK OLIE OG GAS A/S

BALANCE SHEET AT 31.12.2016

Note		USD 1,000 2016	2015
	ASSETS		
	NON-CURRENT ASSETS		
5.	Property, plant and equipment		
	Fixtures, fittings, tools and equipment	25	493
	Land and buildings etc	5,130	3,532
	Assets under construction and prepayment	0	740
		5,155	4,765
6.	Financial assets		
	Investment in subsidiaries	3,609,958	3,159,371
	Derivatives	14,527	0
		3,624,485	3,159,371
	TOTAL NON-CURRENT ASSETS	3,629,640	3,164,136
	CURRENT ASSETS		
10.	Deferred tax asset	9,415	29,664
	Receivables		
	Receivables Group companies	1,086,735	1,335,423
	Receivables Joint Venture partners	161,272	312,631
	Other receivables	5,536	18,901
11.	Prepayments	7,319	6,745
		1,260,862	1,673,700
	Cash	19,291	19,354
	TOTAL CURRENT ASSETS	1,289,568	1,722,719
	TOTAL ASSETS	**4,919,208**	**4,886,855**

MÆRSK OLIE OG GAS A/S

BALANCE SHEET AT 31.12.2016

Note		USD 1,000 2016	2015
	LIABILITIES AND EQUITY		
	EQUITY		
12.	Share Capital	29,925	29,925
	Retained earnings	4,408,755	4,347,485
		4,438,680	4,377,410
	NON-CURRENT LIABILITIES		
13.	Other provisions	117,364	117,716
		117,364	117,716
	CURRENT LABILITIES		
	Trade payables	218,461	279,913
	Loans from group companies	0	1,122
	Payables to group companies	84,357	36,360
	Other payables	60,346	74,334
		363,164	391,729
	TOTAL LIABILITIES	480,528	509,445
	TOTAL LIABILTIES AND EQUITY	**4,919,208**	**4,886,855**

15. Contingencies etc.
16. Related parties
17. Subsequent events

MÆRSK OLIE OG GAS A/S

STATEMENT OF CHANGES IN EQUITY AT 31.12.2016 (USD 1,000)

	Share capital	Net revaluation according to the equity method	Retained earnings	Total
Equity 01.01	29,925	0	4,347,485	4,377,410
Profit for the year	0	243,992	(137,803)	106,189
Dividends from subsidiaries		(263,000)	263,000	0
Value adjustment of hedging instrument	0	(31,294)	(13,625)	(44,919)
Transfer to Retained earnings	0	50,302	(50,302)	0
Equity 31.12	**29,925**	**0**	**4,408,755**	**4,438,680**

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MÆRSK OLIE OG GAS A/S

Notes as at 31.12.2016

(USD 1,000)

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Note 1, Revenue				
Segments (geographical)				
Qatar	1,925,600	2,353,969		
United Kingdom	1,219,532	1,575,831		
Algeria	554,110	654,972		
Kazakhstan	71,845	82,983		
Brazil	0	42,083		
USA	121,514	102,637		
Kurdistan	7,130	1,864		
Denmark	756,800	1,014,436		
	4,656,531	5,828,775		
Note 2, Staff costs				
Salaries	340,280	397,100		
Pension contribution	24,892	24,422		
Other social security costs	20,993	34,699		
	386,165	456,221		
Executive Management remuneration	4,418		4,418	
Board of Directors remuneration	19		19	
Executive and board remuneration	4,437	2,471	4,437	2,471
Average number of employees in Mærsk Olie og Gas A/S' subsidiaries	2,014	2,481		

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

The Parent Company, Mærsk Olie og Gas A/S, has no employees as all those engaged are employed by Rederiet A.P. Møller A/S. During the financial year, an average of 1,986 people was employed in Mærsk Olie og Gas A/S (2015: 1,947 people). Total payroll costs in The Parent Company, Mærsk Olie og Gas A/S amounted to USD 345 million (2015: USD 305 million).

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 2016 to employees in the Mærsk Olie og Gas Group is estimated at approximately USD 1,6 million (2015: USD 1,5 million) which is recognised in the Income Statement.

The value of the performance shares granted in 2016 to employees in the Mærsk Olie og Gas Group is estimated at USD 0,3 million (2015: USD 0,1 million).

		Group		Parent company	
USD 1,000		**2016**	**2015**	**2016**	**2015**
Note 3, Administration expenses					
For the statutory auditors:					
PwC incl. network firms:	Audit	755	-	190	-
	Other assurance services	0	-	0	-
	Tax and VAT advisory services	469	-	450	-
	Other services	1,051	-	1,030	-
KPMG incl. network firms:	Audit	-	1,219	-	213
	Other assurance services	-	66	-	0
	Tax and VAT advisory services	-	591	-	128
	Other services	-	201	-	31

Note 4, Intangible assets

	Group			
	2016	2016	2016	2016
USD 1,000	Software etc.	CO_2 Emission Permits	Oil rights	Total
Cost at 01.01	76,789	7,121	7,482,064	7,565,974
Additions during the year	0	0	439,469	439,469
Disposals during the year	(588)	0	(515,041)	(515,629)
Transferred	(155)	0	0	(155)
Cost price 31.12	76,046	7,121	7,406,492	7,489,659
Depreciation and impairment losses at 01.01	68,233	0	7,097,087	7,165,320
Disposals during the year	(328)	0	(515,041)	(515,369)
Depreciation and amortisation for the year	0	1,491	72,460	73,951
Transferred	8,141	0	(8,141)	0
Depreciation, amortisation and Impairments at 31.12	76,046	1,491	6,646,365	6,723,902
Carrying amount 31.12	0	5,630	760,127	765,757

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Note 5, Property, plant and equipment

	Group		
	2016	2016	2016
USD 1,000	Production facilities, buildings etc.(*)	Production facilities etc. under con-struction	Total
Cost at 01.01	18,953,628	2,249,322	21,202,950
Additions during the year	1,042	1,024,354	1,025,396
Disposals during the year	(177,800)	(76,023)	(253,823)
Transferred	345,381	(345,226)	155
Cost price 31.12	19,122,251	2,852,427	21,974,678
Depreciation and impairment losses at 01.01	15,481,503	1,020,928	16,502,431
Disposals during the year	(5,050)	(28,165)	(33,215)
Depreciation and amortisation for the year	894,816	0	894,816
Impairments for the year	2,410	0	2,410
Transferred	22,231	(22,231)	0
Depreciation, amortisation and Impairments at 31.12	16,395,910	970,532	17,366,442
Carrying amount 31.12	2,726,341	1,881,895	4,608,236

Ownership of fixed assets in Qatar at a carrying amount of total USD 225 million (2015: USD 677 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.

Tangible assets in Algeria with the right of use are included with at a carrying amount of total USD 409 million (2015: USD 481 million). The consortium maintains the right of use until termination of the concession.

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

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

	Parent company			
	2016	2016	2016	2016
USD 1,000	Fixtures, fittings, tools & equipment	Land and buildings etc.	Assets under construction, prepayment	Total
Cost at 01.01	3,873	3,798	740	8,411
Additions during the year	0	1,042	0	1,042
Transferred	0	740	(740)	0
Cost price 31.12	3,873	5,580	0	9,453
Depreciation and impairments at 01.01	3,380	266	0	3,646
Depreciation and impairments during the year	468	184	0	652
Depreciation and impairments at 31.12	3,848	450	0	4,298
Carrying amount 31.12	25	5,130	0	5,155

Note 6, Financial assets

	Group		
	2016	2016	2016
USD 1,000	Securities	Long term deposits	Total
Cost at 01.01	984	9,982	10,966
Additions during the year	0	12,202	12,202
Cost price 31.12	984	22,184	23,168
Value adjustments at 01.01	0	0	0
Adjustments during the year	0	0	0
Value adjustments at 31.12	0	0	0
Carrying amount 31.12	984	22,184	23,168

Note 6, Financial assets (continued)

	Parent company		
	2016	2016	2016
USD 1,000	Shares in subsidiaries	Derivatives	Total
Cost at 01.01	11,634,955	0	11,634,955
Additions during the year	500,889	14,527	515,416
Divestment during the year	0	0	0
Cost price 31.12	12,135,844	14,527	12,150,371
Value adjustments at 01.01	(8,475,584)	0	(8,475,584)
Divestment during the year	0	0	0
Share of subsidiaries profit after tax	243,992	0	243,992
Dividends	(263,000)	0	(263,000)
Other equity adjustments in subsidiaries	(31,294)	0	(31,294)
Value adjustments at 31.12	(8,525,886)	0	(8,525,886)
Carrying amount 31.12	3,609,958	14,527	3,624,485

As of the carrying amount at tUSD 3,609,958, subsidiaries with a negative equity are included with amount of tUSD -244,912.

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. Mærsk Olie og Gas A/S 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

Note 6, Financial assets (continued)

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 Mexico S.DE R.L. DE C.V., Mexico (owned by Mærsk Olie og Gas A/S (99.97%) and Maersk Mexico, S.A. de C.V. (0.03%))

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 Apomar Participações Ltda. (0.01%))

Maersk Oil Kazakhstan GmbH., Germany

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 Exploration UK Ltd., United Kingdom

Maersk Oil Kazakhstan E&P Ltd., United Kingdom

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

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	Group		Parent company	
USD 1,000	**2016**	**2015**	**2016**	**2015**
Note 7, Financial income				
Interest income	2,788	2,126	456	0
Interest income from group companies	23,464	31,428	3,631	20,381
Exchange rate adjustments etc.	7,542	10,681	206	0
	33,794	44,235	4,293	20,381

Note 8, Financial expenses

Interest expenses	570	5	1	5
Interest expenses to group companies	151,282	105,602	5,886	0
Other financial expenses	63,342	52,808	0	0
Exchange rate adjustments etc.	29,015	46,840	3,411	2,145
	244,209	205,255	9,298	2,150

Note 9, Corporate tax

Tax on profit for the year, USD 858 million (2015: 63 million) comprises taxes in subsidiaries, USD 866 million (2015: USD 79 million) and tax in the parent company, USD -8 million (2015: USD -16 million).

Note 10, Deferred tax

	Group		Parent company	
USD 1,000	**2016**	**2015**	**2016**	**2015**
Deferred tax asset				
Deferred tax asset at 01.01	343,238	146,312	29,664	13,779
Deferred tax adjustment on equity	20,862	0	0	0
Deferred tax adjustment during the year	(103,131)	196,926	(20,249)	15,885
Deferred tax asset at 31.12	260,969	343,238	9,415	29,664

Deferred tax asset mainly relates to the oil and gas interests in the Norwegian sector and US Gulf of Mexico as well.

Unrecognised deferred tax asset amounts to USD 1,231 million (2015: USD 1,194 million).

	Group		Parent company	
USD 1,000	**2016**	**2015**	**2016**	**2015**
Deferred tax liability				
Deferred tax liability at 01.01	0	430,376	0	0
Deferred tax adjustment on equity	0	0	0	0
Deferred tax adjustment during the year	55,272	(430,376)	0	0
Deferred tax liability at 31.12	55,272	0	0	0

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

Note 11, Prepayments

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

Note 12, Share Capital

Share capital consists of the following shares:	Number	Nominal, DKK	Number	Nominal, DKK
	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
	4	1,000,000		
			Total nominal	173,000,000

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

Note 13, Provisions

Other non-current provisions mainly include discounted abandonment provisions USD 1,402 million (2015: USD 1,841 million) and other obligations from group entities hereunder parent company with USD 117 million.

Other current provisions mainly include discounted abandonment provisions USD 217 million (2015: USD 87 million) and other obligations from group entities.

Abandonment provision has been reduced with USD 93 million related to the fully depreciated Leadon and Janice fields in UK.

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

Note 14, Loan from group companies

The total balance of the non-current loan is due within 5 years.

Note 15, 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.

Note 15, Contingencies (continued)

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

At the end of 2016, the Maersk Oil and Gas Group has capital commitments etc. amounting to USD 1,9 bn. (2015: USD 2,5 bn.). Included in this amount is chartering of drilling and production rigs etc. USD 1,9 bn. (2015: USD 2,1 bn.), operating lease obligations USD 0,1 bn. (2015: USD 0,3 bn.) and work obligations etc. USD 66 million. (2015: USD 91 million).

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.

Note 16, 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 on arm´s length.

Parties exercising control

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 17, Subsequent events

We are not aware of any events after the balance sheet date of December 31, 2016, which expectedly would have a material impact on Mærsk Olie og Gas A/S´ financial position.

Note 18, Accounting Policies

The Annual Report for 2016 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.

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, Assets held for sale/liabilities associated with asset held for sale are presented separately. Finally, statement of changes in equity has been presented after the cash flow statement.

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.

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.a. gain/loss on sale of tangible and intangible assets and exploration costs being presented separately.

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.

For acquired companies, the assets and liabilities are measured at fair value at the date control was achieved using the acquisition method. Identifiable intangible fixed assets are recognised if they arise from a contractual right or can otherwise be separately identified.

The difference between the fair value of the acquisition cost and the fair value of acquired identifiable net assets is recognised as goodwill under intangible fixed assets.

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.

Derivatives

Derivatives are recognised on the trading date and measured at fair value and included in other receivables (positive fair value) or other debt (negative fair value).

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 than its share of the produced oil (overlift), this is recognised at sales price in the balance sheet under "Deferred income". If the company (Group) sells less than its share of the produced oil (underlift), this is recognised at cost price under "Inventories". 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.

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

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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.

Assets are held for sale, when the carrying amount of an individual non-current asset, or disposal groups, will be recovered principally through a sale transaction rather than through continuing use. Assets are classified as held for sale, when activities to carry out a sale have been initiated and the activities are expected to be disposed of within 12 months. Liabilities directly associated with assets held for sale are presented separately from other liabilities.

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are not depreciated or amortised while classified as held for sale. Measurement of deferred tax and financial assets and liabilities is unchanged.

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.

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Inventories are measured at cost, following the FIFO method. Write-down is made to net realisable value if lower. The cost of finished goods includes direct and indirect production costs.

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.

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