

APM Pipelines A/S

CVR-No. 27929028

Annual Report 2016



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

Esplanaden 50, 1263 Copenhagen K



Company information

APM Pipelines A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.: 27929028
Date of incorporation: 28 June 2004
Registered office: Copenhagen
Financial year: 01 January 2016 - 31 December 2016

Board of Directors

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

Executive Board

Jakob Windelin

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.

APM Pipelines A/S owns 19.5% of the gas pipeline from Tyra West to the F3 Platform in the Dutch sector of the North Sea, and has the corporate purpose to run and commercialise gas and oil pipelines and other related businesses.

Financial review

Financial performance for the year

The result for 2016 shows a loss of USD 0.5 million, compared to a loss of USD 1.3 million in 2015, which is in line with expectations.

Guidance for 2017

The result for 2017 is expected to be similar to the result for 2016.

Subsequent Events

No material events affecting the assessment of the Annual Report have occurred after the balance sheet date.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of APM Pipelines A/S for 2016.


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

In our opinion the Directors' report includes a fair review of the development in and the result of the Company's operations and financial conditions, the result for the year and financial position.

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

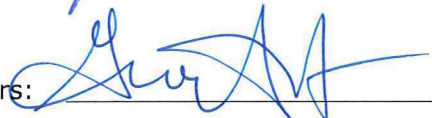
Copenhagen, 30 May 2017

Executive Board:

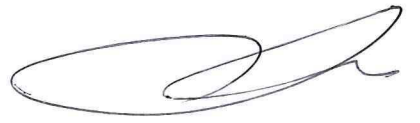


Jakob Windelin

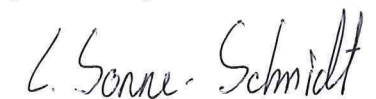
Board of Directors:



Gretchen H. Watkins
(Chairman)



Martin Rune Pedersen
(Vice Chairman)



Carsten Sonne-Schmidt

Independent auditors' report

To the shareholder of APM Pipelines A/S

Opinion

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

We have audited the Financial Statements of APM Pipelines A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, accounting policies and notes ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Directors' Report

Management is responsible for Directors' Report.

Our opinion on the Financial Statements does not cover Directors' Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Directors' Report and, in doing so, consider whether Directors' Report is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 30 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Mads Melgaard

State Authorised Public Accountant



Kristian Pedersen

State Authorised Public Accountant

Accounting Policies

The Annual Report for 2016 of APM Pipelines A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to class B companies.

The accounting policies for the financial statements are unchanged from last year.

Foreign Currency

The functional currency is USD. The Annual Report is presented in USD. The exchange rate of USD to DKK was 7.0550 at 31 December 2016 (2015: DKK 6.8300).

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

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

The Income Statement

Revenue comprises the invoiced tariff income during the financial year.

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

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

Financial items comprise unwinding of discounting on the abandonment provision, interest and currency exchange rate gains and losses from translation of balances in foreign currencies other than USD.

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. The company is jointly taxed with a number of Danish companies in the A.P. Møller - Mærsk Group.

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 recognized to the extent that it is probable that they can be utilised against future taxable income or through the joint taxation.

The Balance Sheet

Tangible fixed assets are measured at cost less accumulated depreciation and write-downs.

The cost price of production facilities etc. comprises direct and indirect costs for establishing the pipeline. Cost includes the net present value of estimated costs of abandonment, removal and restoration. Depreciation on production facilities etc. is made over the expected economic life up to 5 years.

Depreciation periods and residual values for tangible fixed assets 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 to sell.

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 insurance.

Provisions are recognised when the Company has an existing legal or actual obligation and includes provision for abandonment, removal and restoration of the pipeline. Provisions are recognised on the basis of best estimates and take discounting into consideration when the time element is significant.

APM PIPELINES A/S
INCOME STATEMENT
FOR 2016

Note	USD 1,000	
	2016	2015
Revenue	108	23
Production expenses	429	522
Gross result	(321)	(499)
1. Administrative expenses	45	82
2. Depreciation and impairments	0	506
Result before financial items and tax	(366)	(1,087)
Financial income	72	13
Financial expenses	179	460
Result before tax	(473)	(1,534)
4. Tax for the year	74	(265)
RESULT FOR THE YEAR	(547)	(1,269)
Proposed distribution of net result		
Retained earnings	(547)	(1,269)
	(547)	(1,269)

APM PIPELINES A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000		
	2016	2015	
ASSETS			
NON-CURRENT ASSETS			
	Tangible fixed assets		
2.	Property, plant and equipment	331	0
		331	0
	TOTAL NON-CURRENT ASSETS	331	0
CURRENT ASSETS			
	Receivables		
	Receivables Group companies	2,467	2,938
	Tax receivables	63	184
4.	Deferred tax asset	6,402	6,539
	Other receivables	104	12
	Prepayments	21	34
		9,057	9,707
	Liquid funds (JV 19.5% share)	82	0
		82	0
	TOTAL CURRENT ASSETS	9,139	9,707
	TOTAL ASSETS	9,470	9,707

APM PIPELINES A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000	
	2016	2015
	LIABILITIES AND EQUITY	
3.	EQUITY	
	1,738	1,738
	3,649	4,196
	5,387	5,934
	NON-CURRENT LIABILITIES	
5.	3,979	3,541
	3,979	3,541
	CURRENT LIABILITIES	
	104	24
	0	3
	0	205
	104	232
	4,082	3,773
	TOTAL LIABILITIES AND EQUITY	
	9,470	9,707
6.	Contingencies etc.	
7.	Related parties	

APM PIPELINES A/S
Notes as at 31.12.2016
(USD 1,000)

Note 1, Staff costs

The company has no employees, as all those engaged are employed in Rederiet A.P. Møller A/S.

No Board of Directors' fee and Management remuneration has been charged to profit and loss account.

Note 2, Tangible assets

USD 1,000	2016 Production facilities, etc.
Cost at 01.01	50,940
Additions during the year	331
Cost price 31.12	51,271
Depreciation, amortisation and impairments at 01.01	50,940
Depreciation and amortisation for the year	0
Depreciation, amortisation and impairments at 31.12	50,940
Carrying amount 31.12	331

Note 3, Equity

	<u>2016</u>	<u>2015</u>
Share capital	1,738	1,738
Retained earnings		
Retained earnings at 01.01	4,196	5,465
Transferred from result for the year	(547)	(1,269)
Retained earnings at 31.12	3,649	4,196
Total equity	<u>5,387</u>	<u>5,934</u>

Share capital consists of the following shares:

<u>Number</u>	<u>Nominal, DKK</u>
100	100,000
Total nominal value in DKK	<u>10,000,000</u>

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

Note 4, Corporate tax

Tax on profit for the year is USD 0.07 million (2015: -0.26 million). The deferred tax asset amounts to USD 6.4 million (2015: USD 6.5 million) and relates to the difference between accounting and tax values of production facilities.

This company is part of a joint taxation scheme with A.P. Møller Holding A/S. The tax is divided between the members of the joint taxation scheme by use of the full allocation method.

Note 5, Provisions

Provisions concern the estimated expenses for abandonment of pipelines at discounted value.

Note 6, Contingencies

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

Note 7, Related parties

Companies in the A.P. Møller-Mærsk Group and the Executive board and board members of the company are related parties.

Parties exercising control

The company is 100% owned by A.P. Møller-Mærsk A/S.

The consolidated financial statements of A.P. Møller-Mærsk A/S are available at the company's address, Esplanaden 50, 1098 Copenhagen K, Denmark.

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

The company is included in both consolidated financial statements as a subsidiary.