


APM Pipelines A/S
Esplanaden 50
1263 Copenhagen K
CVR-No. 27929028

Annual Report 2015

Approved at the General Assembly: 27/05/2016

Chairman of the meeting: Majbritt Perotti Carlson



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 2015 - 31 December 2015

Board of Directors

Jakob Bo Thomasen (Chairman)
Graham Talbot
Gretchen Watkins

Executive Board

Jakob Windelin

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen Ø

Directors' Report

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.

The result for 2015 shows a loss of USD 1.3 million, compared to a loss of USD 1.1 million in 2014 which is in line with expectations.

The result for 2016 is expected to be a loss.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of APM Pipelines A/S for 2015.

The annual report for 2015 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 2015 and of the results of the Company's operations for the financial year 2015.

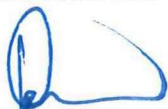
In our opinion the Directors' report includes a fair review of the development in and the result of the Company's operations and financial conditions, the result for the year and financial position.

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

Copenhagen, 27 May 2016

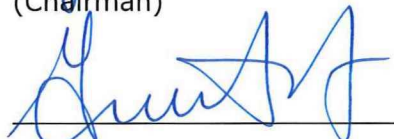
Executive Board:

Jakob Windelin



Board of Directors:

Jakob Bo Thomasen
(Chairman)



Gretchen Watkins



Graham Talbot
(Vice Chairman)

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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, 27 May 2016

Executive Board:



Jakob Windelin

Board of Directors:

Jakob Bo Thomasen
(Chairman)

Graham Talbot
(Vice Chairman)

Gretchen Watkins



Independent auditors' report

To the shareholder of APM Pipelines A/S

Independent auditors' report on the financial statements

We have audited the financial statements of APM Pipelines A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Directors' report

Pursuant to the Danish Financial Statements Act, we have read the Directors' report. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Directors' report is consistent with the financial statements.

Copenhagen, 27 May 2016

KPMG

Statsautoriseret Revisionspartnerselskab

CVR-No. 25 57 81 98



Henrik O. Larsen
State Authorised
Public Accountant

Accounting Policies

The Annual Report for 2015 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, in accordance with provision 16 of the Danish Financial Statements Act. The exchange rate of USD to DKK was 6.8300 at 31 December 2015 (2014: DKK 6.1214).

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.

The company is jointly taxed with a number of Danish companies in the A.P. Møller - Mærsk Group. Tax on profit for the year includes the amount estimated to be paid for the year as well as adjustments regarding previous years and change in deferred tax. Provision for deferred tax is made on temporary differences between the accounting and tax values of assets and liabilities. Deferred tax on temporary differences which at the time of the transaction does not affect the financial result or the taxable income is not recognised. Deferred tax assets are only recognised to the extent that it is probable that they can be utilised against future taxable income.

The 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 2015

Note	USD 1,000	
	2015	2014
Revenue	23	184
Production expenses	522	397
Gross result	(499)	(213)
1. Administrative expenses	82	127
2. Depreciation and write downs	506	0
Result before financial items and tax	(1,087)	(340)
Financial income	13	5
Financial expenses	460	655
Profit before tax	(1,534)	(990)
4. Tax on result for the year	(265)	80
RESULT FOR THE YEAR	(1,269)	(1,070)
Proposed distribution of net result		
Retained earnings	(1,269)	(1,070)
	(1,269)	(1,070)

APM PIPELINES A/S
BALANCE SHEET AT 31.12.2015

Note	USD 1,000	
	2015	2014
ASSETS		
NON-CURRENT ASSETS		
2.	Property, plant and equipment	
	Production facilities etc.	506
		0
		<u>506</u>
CURRENT ASSETS		
Receivables		
	Receivables Group companies	3,591
	Tax receivables	148
	Other receivables	104
4.	Deferred tax asset	6,386
	Prepayments	31
		<u>9,707</u>
		<u>10,260</u>
	TOTAL CURRENT ASSETS	<u>9,707</u> <u>10,260</u>
	TOTAL ASSETS	<u>9,707</u> <u>10,766</u>

APM PIPELINES A/S
BALANCE SHEET AT 31.12.2015

Note	USD 1,000	
	2015	2014
LIABILITIES AND EQUITY		
3.	EQUITY	
	Share capital	1,738
	Retained earnings	1,738
	<u>4,196</u>	<u>5,465</u>
	<u>5,934</u>	<u>7,203</u>
5.	PROVISIONS	
	Other provisions	3,541
	<u>3,541</u>	<u>3,438</u>
	<u>3,541</u>	<u>3,438</u>
SHORT-TERM LIABILITIES OTHER THAN PROVISIONS		
	Trade payables	24
	Payables to group companies	118
	Other payables	3
	<u>205</u>	<u>0</u>
	<u>232</u>	<u>125</u>
	<u>232</u>	<u>125</u>
	TOTAL LIABILITIES	
	<u>232</u>	<u>125</u>
	TOTAL LIABILITIES, PROVISIONS AND EQUITY	
	<u>9,707</u>	<u>10,766</u>
6.	Contingencies etc.	
7.	Related parties	

APM PIPELINES A/S
Notes as at 31.12.2015
(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	2015 Production facilities, etc.
Cost at 01.01	<u>50,940</u>
Cost price 31.12	<u>50,940</u>
Depreciation, amortization and write downs at 01.01	50,434
Depreciation and amortization for the year	<u>506</u>
Depreciation, amortization and write-downs at 31.12	<u>50,940</u>
Carrying amount 31.12	<u>–</u>

Note 3, Equity

	<u>2015</u>	<u>2014</u>
Share capital	1,738	1,738
Retained earnings		
Retained earnings at 01.01	5,465	6,535
Transferred from result for the year	(1,269)	(1,070)
Retained earnings at 31.12	4,196	5,465
Total equity	<u>5,934</u>	<u>7,203</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 -0.26 million (2014: -0.08 million). The deferred tax asset amounts to USD 6.5 million (2014: USD 6.4 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.