

Maersk Oil Kurdistan PiraMagrun A/S

CVR-No. 32297048

Annual Report 2016



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

Esplanaden 50, 1263 Copenhagen K



Company information

Maersk Oil Kurdistan PIRAMAGRUN A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.: 32297048
Date of incorporation: 04 September 2013
Registered office: Copenhagen
Financial year: 01 January 2016 - 31 December 2016

Board of Directors

Gretchen H. Watkins (Chairman)
Carsten Sonne-Schmidt (Vice Chairman)
Samir Abboud

Executive Board

Richard Alistair Doidge

Branch

375 English Village
Erbil
Kurdistan
Iraq

Directors' Report

Activities

The Company is a wholly owned subsidiary of Maersk Oil Kurdistan PIRAMAGRUN Holdings A/S, formed on 4 September 2013 to hold a 40% equity interest in the PIRAMAGRUN Production Sharing Contract (PSC) in the Kurdistan region of Iraq.

Following an unsuccessful exploration drilling campaign, the PIRAMAGRUN partnership decided in July 2015 to relinquish the PSC resulting in a write-down of the oil rights. The relinquishment has been approved by the Government with an effective date of 13 January 2016.

Financial review

Financial performance of the year

The result for the 2016 is a loss of USD 748 thousand, compared to a loss of USD 54 million in 2015.

Guidance for 2017

The result for 2017 is expected to decrease due to lower activity.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Maersk Oil Kurdistan Piramagrun A/S for the reporting period 1 January 2016 to 31 December 2016.

The annual report for the reporting period 1 January 2016 to 31 December 2016 of Maersk Oil Kurdistan Piramagrun 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 period 1 January 2016 to 31 December 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.

In 2016, a decision was taken to opt out of auditing the Financial Statements in accordance with provision 135 of the Danish Financial Statements Act. The conditions for this exemption are still applicable.

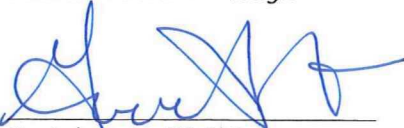
We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 30 May 2017


Executive Board:


Richard Alistair Doidge

Board of Directors:


Gretchen H. Watkins
(Chairman)


Carsten Sonne-Schmidt
(Vice Chairman)


Samir Abboud

Accounting Policies

The Annual Report for 2016 of Maersk Oil Kurdistan Piramagrun 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.

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

Foreign Currency

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

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

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

The Income Statement

Administrative costs comprise parent company overhead, consultants' fees and other general administrative expenses.

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 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

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.

Acquired exploration rights are amortised from the date of acquisition for a period of up to 5 years.

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.

Other receivables include balance with the operator.

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

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.

MAERSK OIL KURDISTAN PIRAMAGRUN A/S
INCOME STATEMENT
FOR 2016

Note	USD 1,000	
	2016	2015
1.		
Administrative expenses	19	139
Exploration expenses	773	4,093
Amortisation and write-downs	0	49,965
Result before financial items and tax	(792)	(54,197)
2.		
Financial income	44	42
3.		
Financial expenses	7	0
Result before tax	(755)	(54,155)
4.		
Tax on result for the year	(7)	(14)
RESULT FOR THE YEAR	(748)	(54,141)
Proposed distribution of net result		
Extraordinary dividend paid in the year	15,431	0
Retained earnings	(16,179)	(54,141)
	(748)	(54,141)

MAERSK OIL KURDISTAN PIRAMAGRUN A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000	
	2016	2015
ASSETS		
CURRENT ASSETS		
Receivables		
Receivables Group companies	668	17,518
Other receivables	3,128	2,658
	3,796	20,176
Cash	0	15
	0	15
TOTAL CURRENT ASSETS	3,796	20,191
TOTAL ASSETS	3,796	20,191

MAERSK OIL KURDISTAN PIRAMAGRUN A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000	
	2016	2015
LIABILITIES AND EQUITY		
5. EQUITY		
Share capital	362	362
Retained earnings	3,403	19,582
	3,765	19,945
CURRENT LIABILITIES		
Trade payables	7	42
Payables to Group companies	24	198
Other payables	0	6
	31	246
TOTAL LIABILITIES	31	246
TOTAL LIABILITIES AND EQUITY	3,796	20,191
6. Contingencies etc.		
7. Related parties		

MAERSK OIL KURDISTAN PIRAMAGRUN 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.

USD 1,000	<u>2016</u>	<u>2015</u>
Note 2, Financial income		
Interest received from Group companies	44	7
Exchange rate adjustments etc.	<u>0</u>	<u>35</u>
	<u>44</u>	<u>42</u>
Note 3, Financial expenses		
Exchange rate adjustments etc.	<u>7</u>	<u>-</u>
	<u>7</u>	<u>-</u>

Note 4, Corporate tax

Tax on result for the year is an income of USD 7 thousand (2015: an income of USD 14 thousand).

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

Note 5, Equity

USD 1,000

	<u>2016</u>	<u>2015</u>
Share capital		
Share capital at 01.01	362	362
Share capital at 31.12	<u>362</u>	<u>362</u>
Retained earnings		
Retained earnings at 01.01	19,583	73,724
Transferred from result for the period	<u>(16,179)</u>	<u>(54,141)</u>
Retained earnings at 31.12	<u>3,403</u>	<u>19,583</u>
Proposed dividend for distribution		
Proposed dividend at 01.01	0	0
Extraordinary dividend	15,431	0
Extraordinary dividend paid	<u>(15,431)</u>	<u>0</u>
Proposed dividend at 31.12	<u>0</u>	<u>0</u>
Total equity	<u><u>3,765</u></u>	<u><u>19,945</u></u>

Share capital consists of the following shares:

<u>Number</u>	<u>Nominal, DKK</u>
2,000	<u>1,000</u>
Total nominal value in DKK	<u>2,000,000</u>

Share capital, changes:

Registration 4 September 2013	500,000
Increase of capital 18 December 2013	500,000
Increase of capital 24 April 2014	500,000
Increase of capital 5 August 2014	<u>500,000</u>
	<u>2,000,000</u>

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. All transactions with related parties are carried out on arm's length.

Parties exercising control

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

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

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