

Maersk Energy Marketing A/S

CVR-No. 33057695

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 Energy Marketing A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.: 33057695
Date of incorporation: 05 July 2010
Registered office: Copenhagen
Financial year: 01 January 2016 - 31 December 2016

Board of Directors

Gretchen H. Watkins (Chairman)
Matthew Edmund Wilks (Vice Chairman)
Carsten Sonne-Schmidt

Executive Board

Anne Heidi Jensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Directors' Report

Activities

The Company is a wholly owned subsidiary of Mærsk Olie og Gas A/S.

Maersk Energy Marketing A/S (MEMAS) buys, owns, markets and sells hydrocarbons, emission rights and derivatives. In 2016, MEMAS traded derivatives in connection with the physical trading. MEMAS purchases gas from A.P. Møller - Mærsk A/S on a producer's nomination contract and transports the gas to wholesale customers in Denmark, Germany and the Netherlands. Crude oil is marketed and sold to refineries in the region. Further, MEMAS purchases, markets and sells third party hydrocarbons.

Financial review

Financial performance of the year

The result for 2016 shows sales revenue of USD 850 million and an after tax net profit of USD 18 million, which as expected is lower than last year (2015: USD 19 million).

Key figures for the Company are as follows:

USD million	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
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Income statement:

Revenue	850	1,069	1,033	491	573
Profit before financial items and tax	23	27	57	49	44
Financial items, net	(1)	(1)	0	0	3
Profit for the year after tax	18	19	44	35	37

Balance sheet:

Total assets	301	233	318	143	121
Equity	181	164	144	100	66

Guidance for 2017

Due to volatility in the oil price, the estimated result for 2017 is uncertain but expected to be slightly higher than in 2016.

Corporate Social Responsibility

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

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

Goals and policies for the underrepresented gender

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time 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 underrepresented gender on the Board, to account for at least 25% of the shareholder-appointed Board members, no later than May 2017. The Company's board composition fulfills the diversity requirements among the elected board members with regard to the underrepresented gender.

In 2013, a group policy was adopted with the aim to increase the share of the underrepresented gender on the company's other management levels (Link to policy): <http://mrsk.co/174tNiF>.

In accordance with this policy MEMAS has taken steps to look into how the Company can attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions. In MEMAS, we encourage women to pursue career opportunities and have a positive development on female representation throughout our workforce.

Risks and uncertainties

MEMAS is subject to a variety of risks which derive from the nature of the oil and gas trading activities, and trading of oil derivatives related hereto.

MEMAS' strategic, operational, compliance, financial and emerging risks are monitored through a structured governance frame work and a mandate structure, which is communicated and approved on Maersk Oil and A.P. Møller - Mærsk group level.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Maersk Energy Marketing A/S for 2016.

The annual report for 2016 of Maersk Energy Marketing 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 as well as a description of the most significant risks and uncertainty factors that the Company faces.

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

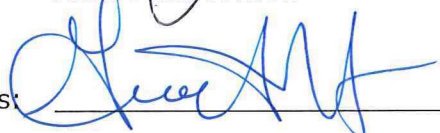
Copenhagen, 30 May 2017

Executive Board:



Anne Heidi Jensen

Board of Directors:



Gretchen H. Watkins
(Chairman)



Matthew Edmund Wilks
(Vice Chairman)



Carsten Sonne-Schmidt

Independent auditors' report

To the shareholder of Maersk Energy Marketing 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 Maersk Energy Marketing A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity, 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 Maersk Energy Marketing A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to large class C companies.

The accounting policies for the Financial Statements are unchanged from last year.

Maersk Energy Marketing A/S has with reference to the Danish Financial Statements Act § 86 section 4 refrained from preparing cash flow statement. With reference to provision 96, 3 of the Danish Financial Statements Act, fees for auditor elected by the general assembly are not published.

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.

Derivatives

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

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.

The Income Statement

Revenue comprises resale of gas, oil and emission rights.

Other operating income comprises gain on derivatives held for trading.

Other operating costs comprise loss on derivatives held for trading.

Operating expenses comprise purchase of gas, oil and utilisation of emission rights.

Distribution costs comprise transportation costs regarding gas.

Administrative expenses comprise parent company overhead and other general administrative costs.

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

Long term deposit relates to a cash deposit at a trading house in connection with the Company's oil derivatives trading. The deposit is measured at the lower of cost or recoverable amount.

Inventories, which comprise oil and emission rights, are measured at cost. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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.

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

Provisions are recognised when the Company has an existing legal or actual obligation and includes deferred tax and provision for unsettled claims and lawsuits. 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.

MAERSK ENERGY MARKETING A/S
INCOME STATEMENT
FOR 2016

Note	USD 1,000		
	2016	2015	
1.	Revenue	849,889	1,068,782
	Other operating income	55,171	83,965
	Other operating costs	75,281	92,463
		829,779	1,060,284
	Operating expenses	794,612	1,022,715
	Distribution expenses	7,842	6,328
	Gross profit	27,325	31,241
2.	Administrative expenses	4,006	4,073
	Profit before financial items and tax	23,319	27,168
3.	Financial income	2,833	5,116
4.	Financial expenses	3,808	6,332
	Profit before tax	22,344	25,952
5.	Tax on profit for the year	4,713	6,592
	PROFIT FOR THE YEAR	17,631	19,360
	Proposed distribution of net profit		
	Proposed dividend for distribution	15,000	0
	Retained earnings	2,631	19,360
		17,631	19,360

MAERSK ENERGY MARKETING A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000		
	2016	2015	
ASSETS			
NON-CURRENT ASSETS			
Financial assets			
6.	Long term deposit	22,184	9,982
TOTAL NON-CURRENT ASSETS		22,184	9,982
CURRENT ASSETS			
Inventories			
		19,562	7,121
Receivables			
Receivables from sale of oil and gas		87,022	47,434
Receivables Group companies		164,857	159,191
Other receivables		7,477	8,178
		259,356	214,803
Cash			
		0	1,584
TOTAL CURRENT ASSETS		278,918	223,508
TOTAL ASSETS		301,102	233,490

MAERSK ENERGY MARKETING A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000		
	2016	2015	
LIABILITIES AND EQUITY			
EQUITY			
7.	Share capital	86	86
	Retained earnings	166,301	163,670
	Proposed dividend	15,000	0
		181,387	163,756
NON-CURRENT LIABILITIES			
8.	Other provisions	1,581	0
9.	Deferred tax	2,856	0
		4,437	0
CURRENT LIABILITIES			
	Trade payables	5,983	4,563
	Payables to group companies	74,221	48,781
	Tax payables	1,739	5,887
6.	Other payables	33,335	10,503
		115,278	69,734
	TOTAL LIABILITIES	119,715	69,734
	TOTAL LIABILITIES AND EQUITY	301,102	233,490
10.	Contingencies etc.		
11.	Related parties		

MAERSK ENERGY MARKETING A/S
STATEMENT OF CHANGES IN EQUITY AT 31.12.2016
(USD 1,000)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Dividends</u>	<u>Total</u>
Equity 01.01	86	163,670	0	163,756
Profit for the year	0	17,631	0	17,631
Proposed dividend for distribution	0	(15,000)	15,000	0
Equity 31.12	86	166,301	15,000	181,387

MAERSK ENERGY MARKETING A/S

Notes as at 31.12.2016

(USD 1,000)

USD 1,000	<u>2016</u>
Note 1, Revenue	
<u>Segments (geographical)</u>	
Denmark	659,322
Other Northern Europe	190,567
	<u>849,889</u>

Note 2, Staff costs

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

With reference to provision 98b, 3 of the Danish Financial Statements Act, no Board of Directors' fee and Management remuneration is shown due to only one person receiving remuneration.

USD 1,000	<u>2016</u>	<u>2015</u>
Note 3, Financial income		
Interest received from Group companies	488	136
Exchange rate adjustments etc.	2,345	4,980
	<u>2,833</u>	<u>5,116</u>
Note 4, Financial expenses		
Interest paid to Group companies	7	128
Exchange rate adjustments etc.	3,801	6,204
	<u>3,808</u>	<u>6,332</u>

Note 5, Corporate tax

Tax expense on profit for the year, USD 5 million (2015: tax expense of USD 7 million) includes an adjustment of USD 22 thousands in respect of 2015.

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 6, Long term deposit and Other payables (Derivatives)

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

Derivatives comprise of futures and swaps and are settled on a day to day basis at market prices. Fair value of open positions is primarily subject to change in respect of oil price changes and currency exchange rate changes.

Negative fair value of derivatives amounts to USD 18 million as of 31 December 2016 and are included in other payables.

Note 7, Share capital

Share capital consists of the following shares:

<u>Number</u>	<u>Nominal, DKK</u>
500	1,000
Total nominal value in DKK	<u>500,000</u>

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

Note 8, Provisions

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

Note 9, Deferred tax

	<u>2016</u>	<u>2015</u>
Deferred tax at 01.01	0	0
Deferred tax adjustment during the year	2,856	0
Deferred tax at 31.12	<u>2,856</u>	<u>0</u>

Deferred tax liability relates to tax on accrued income.

Note 10, 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.

The Company is part of ongoing disputes. The potential outcome is not estimated to have any significant impact on the financial position as at 31 December 2016.

Note 11, 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 Mærskolie og Gas 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.