

Maersk Oil Kurdistan A/S

CVR-No. 33870434

Annual Report 2015

Approved at the General Assembly: 27/05/2016
Chairman of the meeting: Majbritt Perotti Carlson

Esplanaden 50, 1263 Copenhagen K

A handwritten signature in blue ink, appearing to read 'Majbritt Perotti Carlson', is positioned below the printed text.

Company information

Maersk Oil Kurdistan A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.: 33870434
Date of incorporation: 17 August 2011
Registered office: Copenhagen
Financial year: 01 January 2015 - 31 December 2015

Board of Directors

Jakob Bo Thomasen (Chairman)
Graham Stuart Talbot
Engelbert Abraham Haan

Executive Board

Richard Alistair Doidge

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen Ø

Affiliate

Airport Road
Empire Building Complex
Building C1
Erbil
Kurdistan
Iraq

Directors' Report

The company is a wholly owned subsidiary of Mærsk Olie og Gas A/S, and holds an 18% equity interest in the Sarsang Production Sharing Contract (PSC) in the Kurdistan region of Iraq.

On 15 January 2015, Sarsang partnership submitted a conditional Sarsang Field Development Plan (FDP) for the Swara Tika discovery. The field development builds production initially to some 15-20,000 b/d in 2016 with gas flaring. This is followed by a ramp up in production capacity to 50,000 b/d during 2019-2020, subject to the Government providing a viable, long-term gas handling solution (or the Sarsang partnership developing its own gas handling), with Final Investment Decision (FID) expected in the 2017-2018 timeframe.

A Declaration of Commerciality for the East Swara Tika discovery was submitted to the Government on 10 March 2015, and an amendment to the Sarsang FDP comprising East Swara Tika development activities was submitted on 7 June 2015.

On 6 October 2015, following clarification from the Government regarding its commitment to provide gas handling, an investment were approved by the Maersk Oil Chairman for the Sarsang FDP, covering development activities through 2020. On 7 October 2015, the Sarsang FDP was formally approved by the Sarsang partners and the Government.

During 2015, oil production of 3-4,000 b/d from the ST-1 well production facility was sold on the domestic market. In December 2015, the ST-2 well production facility came on stream, with an initial rate of some 3,000 b/d.

The result for 2015 is a loss of USD 161 million, compared to a loss of USD 9 million in 2014. The 2015 result was impacted by an impairment of USD 145 million due to the low oil price expectations. The loss for 2016 is expected to be lower.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Maersk Oil Kurdistan A/S for 2015.

The annual report for 2015 of Maersk Oil Kurdistan 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:

Richard Alistair Doidge

Board of Directors:

Jakob Bo Thomasen
(Chairman)

Engelbert Abraham Haan

Graham Stuart Talbot
Graham Stuart Talbot
(Vice Chairman)

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Copenhagen, 27 May 2016

Executive Board:



Richard Alistair Doidge

Board of Directors:

Jakob Bo Thomasen
(Chairman)

Graham Stuart Talbot
(Vice Chairman)

Engelbert Abraham Haan

Independent auditors' report

To the shareholder of Maersk Oil Kurdistan A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Maersk Oil Kurdistan 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 Maersk Oil Kurdistan 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 6.83 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 value of the company's share of the oil production. If the company 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 sells less than its share of the produced oil (underlift) this is recognised at cost price under "Prepayments".

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

Administrative expenses include parent company overhead and other general administrative expenses.

Exploration expenses are recognised in the income statement as they are incurred.

Expenses for initial surveys incurred before acquisition of licence for hydrocarbon extraction are included in the income statement as they are incurred.

Financial items comprise 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

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 are amortised from commencement of production and over the fields' expected production periods of up to 20 years.

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 appraisal and production wells and production equipment, etc. for fields considered commercial. Depreciation on production facilities etc. is made over the expected production period/economic life up to 9 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.

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

Other payables include balance with operator, related to expenses incurred under the Production Sharing Contract.

MAERSK OIL KURDISTAN A/S
INCOME STATEMENT
FOR 2015

Note	USD 1,000	
	2015	2014
Revenue	1,864	-
Production expenses	958	-
Gross profit	906	-
1. Administrative expenses	3,759	406
Exploration expenses	14,251	37,153
4, 5. Depreciation, amortisation and impairment loss	149,520	-
Result before financial items and tax	(166,623)	(37,559)
Result after tax in associated company	-	(4,804)
2. Financial income	142	693
3. Financial expenses	52	2,925
Result before tax	(166,533)	(44,595)
7. Tax for the year	(5,127)	(35,434)
RESULT FOR THE YEAR	(161,406)	(9,161)
Proposed distribution of net result		
Retained earnings	(161,406)	(9,161)
	(161,406)	(9,161)

MAERSK OIL KURDISTAN A/S
BALANCE SHEET AT 31.12.2015

Note	USD 1,000	
	2015	2014
ASSETS		
NON-CURRENT ASSETS		
4.	Intangible fixed assets	
	Oil rights	245,947
		96,427
		<u>96,427</u>
5.	Property, plant and equipment	
	Assets under construction	-
		2,143
		<u>2,143</u>
	TOTAL NON-CURRENT ASSETS	<u>245,947</u>
		98,570
		<u>98,570</u>
CURRENT ASSETS		
Receivables		
	Receivables from sale of oil	-
	Receivables Group companies	52,077
	Other receivables	149
		1,604
		29,348
		2
		<u>52,226</u>
		<u>30,954</u>
		<u>30,954</u>
	TOTAL CURRENT ASSETS	<u>52,226</u>
		30,954
		<u>30,954</u>
	TOTAL ASSETS	<u>298,173</u>
		<u>129,524</u>

MAERSK OIL KURDISTAN A/S
BALANCE SHEET AT 31.12.2015

Note	USD 1,000	
	2015	2014
	LIABILITIES AND EQUITY	
6.	EQUITY	
	806	806
	127,355	288,761
	<u>128,161</u>	<u>289,567</u>
	SHORT-TERM LIABILITIES	
	-	13
	633	4,166
	704	4,427
	26	-
	<u>1,363</u>	<u>8,606</u>
	<u>1,363</u>	<u>8,606</u>
	129,524	298,173
8.	Contingencies etc.	
9.	Related parties	

MAERSK OIL KURDISTAN 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.

USD 1,000

Note 2, Financial income

	2015	2014
Interest received	56	467
Interest received from group companies	32	18
Exchange rate adjustments etc.	54	208
	<u>142</u>	<u>693</u>

Note 3, Financial expenses

Exchange rate adjustments etc.	52	2,925
	<u>52</u>	<u>2,925</u>

Note 4, Intangible assets

USD 1,000	2015
	Oil Rights
Cost at 01.01	245,947
Cost price 31.12	<u>245,947</u>
Amortisations and write-downs at 01.01	-
Amortisations for the year	4,555
Write-downs for the year	<u>144,965</u>
Amortisations and write-downs at 31.12	<u>149,520</u>
Carrying amount 31.12	<u>96,427</u>

Note 5, Property, plant and equipment

USD 1,000	2015 Asset under construction
Cost at 01.01	-
Additions during the year	<u>2,143</u>
Cost price 31.12	<u>2,143</u>
Depreciations at 01.01	-
Depreciations for the year	<u>-</u>
Depreciations at 31.12	<u>-</u>
Carrying amount 31.12	<u>2,143</u>

Note 6, Equity

	2015	2014
Share capital		
Share capital at 01.01	806	714
Additions during the year	-	92
Share capital at 31.12	<u>806</u>	<u>806</u>
Surplus premium		
Surplus premium at 01.01	-	313,183
Transfer to retained earnings	-	(313,183)
Surplus premium at 31.12	<u>-</u>	<u>-</u>
Retained earnings		
Retained earnings at 01.01	288,761	(79,752)
Capital additions, surplus premium	-	64,491
Transfer from surplus premium	-	313,183
Transferred from profit for the year	(161,406)	(9,161)
Retained earnings at 31.12	<u>127,355</u>	<u>288,761</u>
Total equity	<u>128,161</u>	<u>289,567</u>

Share capital consists of the following shares:

Number	Nominal, DKK
4,500	1,000
Total nominal value in DKK	<u>4,500,000</u>

Share capital, changes:

Registration 17 August 2011	500,000
Increase of capital 20 April 2012	500,000
Increase of capital 25 April 2012	500,000
Increase of capital 8 October 2012	500,000
Increase of capital 10 January 2013	1,000,000
Increase of capital 5 September 2013	1,000,000
Increase of capital 25 March 2014	500,000
	<u>4,500,000</u>

Note 7, Corporate tax

Tax for the year is an income of USD 5 million (2014: tax income of 35 million) due to a refund from the prior year.

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 8, Contingencies

For development activities in Kurdistan the company is liable jointly and severally with the other partners for development commitment and obligations in connection with field developments.

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 9, 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 Mærsk Olie 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.