

Payments to Governments 2016

REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR 2016

(CF. THE DANISH FINANCIAL STATEMENTS ACT (“ÅRSREGNSKABSLOVEN”), SECTION 99C)

BASIS FOR PREPARATION

Legislation

The Reporting on Payments to Governments Regulations came into force as from 2016 and requires Danish companies in the extractive sector to disclose payments made to governments in the countries where they undertake extractive operations.

The regulations implement Chapter 10 of EU Accounting Directive (2013/34/EU) and Danish Financial Statements Act (“Årsregnskabsloven”), Section 99c.

Reporting entities and activities

The Report includes payments to governments made by A.P. Møller - Mærsk A/S and its subsidiary undertakings arising from activities involving the exploration, prospection, discovery, development and extraction of mineral, oil and natural gas deposits. All are reported under the business unit Maersk Oil.

Government

Government means any national, regional or local authority in a country, and includes a department, agency or undertaking (i.e. corporation) controlled by that authority.

Project

Payments raised at a project level and payments raised at a corporate level have been separately disclosed. Project is defined as the operational activities that are governed by a single contract, license, concession or similar legal agreement and form a basis for payment liabilities to a government.

Reporting principles

The main principle for reporting of payments to governments is the inclusion of Maersk Oil's share of all payments. However this principle is not fully applicable for Production Sharing Agreement ventures (PSA).

For non-PSA ventures, each partner settles taxes individually. Maersk Oil's reporting for non-PSA ventures reflects Maersk Oil's share of all payments, irrespective of whether Maersk Oil is operator or not.

For PSA ventures, where Maersk Oil is operator, Maersk Oil reports 100% of the venture's payments. For PSA ventures, where Maersk Oil is not operator, Maersk Oil only reports taxes if paid directly by Maersk Oil. Production entitlements and other payments made by the operator are not reported if Maersk Oil is not the operator.

Payments

The payments are on a cash basis, meaning that they are reported in the period in which they are paid in cash or in kind as opposed to being reported on an accruals basis. Payments are reported net of refunds.

The payments fall under the following types:

Production entitlements include non-cash royalties and state non-participating interest share paid in barrels of oil or oil equivalents derived from projects operated by Maersk Oil. The figures are disclosed on a lifting entitlement basis, rather than a production entitlement basis. The entitlement of a government owned company where it has a working interest in a license and acts as a partner in a joint venture is not included.

In cases where a government owned company settles Maersk Oil's income tax obligation on behalf of Maersk Oil from its share of production entitlements, and where Maersk Oil acts as operator of the venture (typically in PSAs), this amount will be deducted from the reported production entitlement and included in the tax amounts below.

Taxes include taxes paid by Maersk Oil on its income, profits or production (including additional hydrocarbon taxes). Also taxes settled by a government owned company on behalf of Maersk Oil under a Production Sharing Agreement (PSA), where Maersk Oil is the operator of the venture. In cases where Maersk Oil is not the operator of the venture, taxes are included if they are reported and settled directly by Maersk Oil.

Consumption taxes, personal income taxes, sales taxes, value added taxes and similar taxes are excluded.

Royalties represent royalties paid to government in cash or in kind for the extraction of oil and gas.

Dividends. There are no reportable dividend payments to a government for 2016.

Bonus payments represent bonus payments to governments, in the form of signature bonuses, production bonuses, discovery bonuses etc.

Licensee fees and other fees represent licensee fees, rental fees, entry fees and other consideration for licenses/ concessions paid for access to an area where extractive activities are performed or for services provided by a government undertaking.

Payment for infrastructure improvements include payments which are not substantially dedicated to oil and gas activities, but can be contractually required under a PSA or payments for building/improving local infrastructure such as roads, schools, hospitals, research facilities etc.

Other

Materiality level. For each payment type, total payments below DKK 750,000 (approx. USD 100,000) to a government are excluded from this Report.

Payments in kind included in production entitlements and taxes are estimated at fair value. Fair value corresponds to either the contractual price, a market price or other appropriate benchmark price. In kind payments are reported in both volumes and the equivalent cash value.

Reporting currency is USD. Payments made in currencies other than USD are typically translated at the exchange rate at the date of payment.

PAYMENTS TO GOVERNMENTS 2016

AMOUNTS IN USD 1,000

Country / Government (Receivers of the payments)	Area / project	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure payments	Total payments	Payments in kind (1,000 barrels) ¹
Sonangol (National Oil Company)	Block 8						20,000		20,000	
Sonangol (National Oil Company)	Block 23						10,000		10,000	
Petroleum Ministry	Block 16		164						164	
Angola			164				30,000		30,164	
Energistyrelsen	Sole concession area and other minor licenses in the Danish sector of the North Sea						216		216	
Arbejdstilsynet	Sole concession area and other minor licenses in the Danish sector of the North Sea						123		123	
Danmarks Tekniske Universitet	Sole concession area in the Danish sector of the North Sea							3,141	3,141	
De Nationale Geologiske Undersøgelser	Sole concession area and other minor licenses in the Danish sector of the North Sea						293		293	
Denmark²							632	3,141	3,773	
Greenland Institute of Natural Resources	Block 9, Baffin Bay							746	746	
Greenland								746	746	
Kazakhstan Tax Committee	Dunga	13,853	-	-	-	-	-	-	13,853	522
Kazakhstan		13,853							13,853	522
Oljedirektoratet (Norwegian Petroleum Directorate)	Exploration license 211						367		367	
Oljedirektoratet (Norwegian Petroleum Directorate)	Exploration license 435						287		287	
Oljedirektoratet (Norwegian Petroleum Directorate)	Exploration license 501 (Johan Sverdrup)						461		461	
Norway							1,115		1,115	
Qatar Petroleum (National Oil Company)	Block 5, Al Shaheen	2,239,811	445,148				33,713		2,718,672	65,617
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Department of Energy & Climate Change	Misc. fields in the UK sector of the North Sea						2,083		2,083	
Norwegian Ministry of Petroleum and Energy	Flyndre (Cross border UK / Norway)						252		252	
Health and Safety Executive	Misc. fields in the UK sector of the North Sea						479		479	
United Kingdom							2,814		2,814	
Department of Interior	Misc. Licensees in Gulf of Mexico						718		718	
Louisiana Revenue Service	Jack, the US Gulf of Mexico		580						580	
United States of America			580				718		1,298	
Total		2,253,664	445,892				68,993	3,887	2,772,436	66,138

¹ Payments in kind relate to production entitlement and taxes.² In Denmark, taxes of approximately USD 65m has been paid for 2016. However due to refund of overpayment from earlier years, the net payments 2016 are a cash inflow, and thus not reported above.