

2017

# Payments to governments

A.P. Møller - Mærsk A/S

# Report on payments to governments

## Basis for preparation

### Legislation

The Reporting on Payments to Governments Regulations came into force as from 2016 and require 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) are included, 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 2017.

**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 120,000) 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 2017

Country / Government (Receivers of the payments)	Area / project	Production entitlement	Taxes	Royalties	Bonuses	Fees	Infrastructure payments	Total payments
Petroleum Ministry	Block 16	-	150	-	-	-	-	150
<b>Angola</b>		-	<b>150</b>	-	-	-	-	<b>150</b>
Skat	Sole concession area and other minor licensees in Danish North Sea	-	277,245	-	-	-	-	277,245
Energistyrelsen	Sole concession area and other minor licensees in Danish North Sea	-	-	-	-	228	-	228
Arbejdstilsynet	Sole concession area, Danish North Sea	-	-	-	-	228	-	228
Danmarks Tekniske Universitet	Sole concession area and other minor licensees in Danish North Sea	-	-	-	-	-	4,692	4,692
De Nationale Geologiske Undersogels	Sole concession area and other minor licensees in Danish North Sea	-	-	-	-	341	-	341
<b>Denmark</b>		-	<b>277,245</b>	-	-	<b>797</b>	<b>4,692</b>	<b>282,734</b>
Greenland Institute of Natural Resources	Block 9, Baffin Bay	-	-	-	-	-	754	754
<b>Greenland</b>		-	-	-	-	-	<b>754</b>	<b>754</b>
Kazakhstan Tax committee	Dunga	26,635	-	-	-	-	-	26,635
<b>Kazakhstan</b>		<b>26,635</b>	-	-	-	-	-	<b>26,635</b>
Oljedirektoratet (Norwegian petroleum directorate)	Exploration Licenses 211	-	-	-	-	377	-	377
<b>Norway</b>		-	-	-	-	<b>377</b>	-	<b>377</b>
Qatar Petroleum (National Oil Company)	Block 5, Al Shaheen	1,576,585	307,555	-	-	17,117	-	1,901,257
<b>Qatar</b>		<b>1,576,585</b>	<b>307,555</b>	-	-	<b>17,117</b>	-	<b>1,901,257</b>
Department of Energy & Climate Change	Misc. fields in UK North Sea	-	-	-	-	1,325	-	1,325
Health And Safety Executive	Misc. fields in UK North Sea	-	-	-	-	334	-	334
<b>United Kingdom</b>		-	-	-	-	<b>1,659</b>	-	<b>1,659</b>
Louisiana Revenue Service	Jack, Gulf of Mexico	-	1,100	-	-	-	-	1,100
<b>United States</b>		-	<b>1,100</b>	-	-	-	-	<b>1,100</b>
<b>Total</b>		<b>1,603,220</b>	<b>586,050</b>	-	-	<b>19,950</b>	<b>5,446</b>	<b>2,214,666</b>

Payments in kind	Area / project	Production entitlement	Taxes			1,000 USD	1,000 BBL
Kazakhstan	Dunga	26,635				26,635	626
Qatar	Block 5, Al Shaheen	1,576,585	307,555			1,884,140	37,555