

**Mærsk Olie, Algeriet A/S**

**CVR-No. 14030573**

**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**

Mærsk Olie, Algeriet A/S  
Esplanaden 50  
1263 Copenhagen K

CVR-No.: 14030573  
Date of incorporation: 28 March 1990  
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**

Diego Ignacio Tejada Evans

## **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.

Mærsk Olie, Algeriet A/S participates in production activities in two onshore blocks in partnership with Anadarko, ENI and the state owned oil company Sonatrach.

### **Financial review**

#### Financial performance for the year

The result for 2016 shows a profit of USD 85 million, which is below the result for last year (2015: USD 113 million) mainly reflecting the decrease in oil price to an average of USD 44 (2015: USD 52) and in line with the expectations.

In 2016, Mærsk Olie, Algeriet A/S delivered an entitlement oil production of 34,500 boepd, slightly higher than last year (2015: 33,800 boepd).

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	555	656	1,465	1,156	1,133
Profit before financial items and tax	383	441	1,139	1,036	1,030
Financial items, net	0	(1)	0	(7)	0
Profit for the year after tax	85	113	404	414	466

#### **Balance sheet:**

Total assets	700	642	709	895	1,180
Investments in property, plant and equipment	14	22	38	47	76
Equity	621	586	623	819	1,105

### Guidance for 2017

The result for 2017 is expected to be slightly higher than the 2016 result due to the expected higher average oil price.

### **External environment**

Mærsk Olie, Algeriet A/S continuously supports the Operator in ensuring operations are conducted in the safest and most efficient manner. Furthermore, Mærsk Olie, Algeriet A/S, through its active engagement in the Algerian joint operation, seeks to make use of environmentally friendly and energy efficient solutions to reduce negative impact on the environment.

### **Corporate Social Responsibility**

Social responsibility is important to Maersk Oil's business and Mærsk Olie, Algeriet A/S 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 Group'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 Mærsk Olie, Algeriet A/S 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 Mærsk Olie, Algeriet A/S, we encourage women to pursue career opportunities and have a positive development on female representation throughout our workforce.

Requirements according to the Danish Financial Statements Act, section 99c have been fulfilled ref. reporting for parent Company A.P. Møller - Mærsk A/S.

### **Risks and uncertainties**

Mærsk Olie, Algeriet A/S is subject to a variety of risks which derive from the nature of the oil production activities.

Mærsk Olie, Algeriet A/S' strategic, operational, compliance, financial and emerging risks are monitored through a structured approach including systematic identification, assessment and mitigation of the risks.

Material accounting estimates relate to valuation of non-current assets including determination of amortisation and depreciation profiles, as well as calculation of provision to cover abandonment obligations.

## **Management's Statement**

The Board of Directors and Executive Board have today discussed and approved the annual report of Mærsk Olie, Algeriet A/S for 2016.

The annual report for 2016 of Mærsk Olie, Algeriet 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.

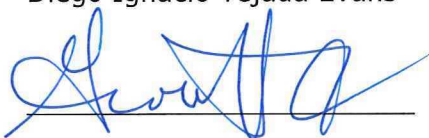
Copenhagen, 30 May 2017

Executive Board:



Diego Ignacio Tejada Evans

Board of Directors:



Gretchen H. Watkins  
(Chairman)



Carsten Sonne-Schmidt  
(Vice Chairman)



Samir Abboud



## **Independent auditors' report**

To the shareholder of Mærsk Olie, Algeriet 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 Mærsk Olie, Algeriet 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 Mærsk Olie, Algeriet A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to large class C companies.

As a consequence of the changes in the Danish Financial Statements Act (Law no. 738 from June 1, 2015), presentation of liabilities is changed compared with last year, with change in comparison figures as well. Provisions are now presented either as non-current or current liabilities, instead of presenting it separately. Furthermore statement of changes in equity has been presented after the balance sheet. Underlift has been reclassified from prepayments to inventory.

This change has no effect on the income statement or on equity.

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

Mærsk Olie, Algeriet A/S has with reference to the Danish Financial Statements Act provision 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.

## The Income Statement

**Revenue** comprises the value of the Company's share of the oil production as well as oil traded. 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 "Inventories". Tax settled in oil is recognised both as revenue and tax expenses.

**Production expenses** comprise costs incurred in generating the revenue for the year including purchase of oil.

**Administrative expenses** comprise parent company overhead etc.

**Exploration expenses** are capitalised unless the costs do not qualify for capitalisation, and are then recognised in the income statement as 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. Furthermore tax cost includes oil tax based on gross measures.

**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 tax amount includes the special taxes relating to extraction and production of hydrocarbons in Algeria.

## The Balance Sheet

**Property, plant and equipment** are measured at cost less accumulated depreciation and impairment losses.

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. Costs include the net present value of estimated costs of abandonment, removal and restoration, where the Company holds this obligation. Depreciation on production facilities etc. is made over the expected production period/economic life up to 9 years.

Depreciation periods and residual values for property, plant and equipment are re-evaluated annually.

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 of disposals.

**Inventories**, which mainly comprise spare parts etc., are measured at cost following the FIFO principle, less write-down for obsolescence. Underlift is measured at lower of cost and market price.

**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.

**Prepayments** recognised under assets include prepaid expenses, as well as prepaid taxes in Algeria.

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

**Provisions** are recognised when there is an existing legal or actual obligation. Provisions are recognised on the basis of specific estimates and consider 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.

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



**MÆRSK OLIE, ALGERIET A/S**  
**INCOME STATEMENT**  
**FOR 2016**

Note		USD 1,000	
		2016	2015
1.	Revenue	555,074	655,974
	Production expenses	80,273	128,735
	Gross profit	474,801	527,239
2.	Administrative expenses	5,888	5,444
	Exploration expenses	168	620
3.	Depreciation	86,064	80,366
	Profit before financial items and tax	382,681	440,809
4.	Financial income	528	91
5.	Financial expenses	727	777
	Profit before tax	382,482	440,123
6.	Tax on profit for the year	297,706	327,101
	<b>PROFIT FOR THE YEAR</b>	<b>84,776</b>	<b>113,022</b>
	Proposed distribution of net profit		
	Proposed dividend for distribution	250,000	50,000
	Retained earnings	(165,224)	63,022
		84,776	113,022



**MÆRSK OLIE, ALGERIET A/S**  
**BALANCE SHEET AT 31.12.2016**

Note	USD 1,000	
	2016	2015
<b>ASSETS</b>		
NON-CURRENT ASSETS		
3.	Property, plant and equipment	
	Production facilities etc.	395,153 455,623
	Production facilities etc. under construction	13,398 25,092
		<u>408,551 480,715</u>
	TOTAL NON-CURRENT ASSETS	<u>408,551 480,715</u>
CURRENT ASSETS		
	Inventories	<u>40,095 34,872</u>
	Receivables	
	Receivables from sale of oil etc.	23,659 24,000
	Receivables Group companies	204,841 90,024
	Other receivables	20 25
7.	Prepayments	<u>22,853 12,006</u>
		<u>251,373 126,055</u>
	Cash	<u>49 0</u>
	TOTAL CURRENT ASSETS	<u>291,517 160,927</u>
	<b>TOTAL ASSETS</b>	<b><u>700,068 641,642</u></b>

**MÆRSK OLIE, ALGERIET A/S**  
**BALANCE SHEET AT 31.12.2016**

Note	USD 1,000		
	2016	2015	
LIABILITIES AND EQUITY			
EQUITY			
8.	Share capital	11,040	11,040
	Retained earnings	359,912	525,136
	Proposed dividend	250,000	50,000
		620,952	586,176
NON-CURRENT LIABILITIES			
9.	Other provisions	20,883	20,669
		20,883	20,669
CURRENT LIABILITIES			
	Trade payables	14,055	11,216
	Payables to Group companies	1,637	1,292
	Tax payables	29,151	20,242
	Other payables	13,390	2,047
		58,233	34,797
	TOTAL LIABILITIES	79,116	55,466
TOTAL LIABILITIES AND EQUITY			
		700,068	641,642
10.	Contingencies etc.		
11.	Related parties		

**MÆRSK OLIE, ALGERIET 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	11,040	525,136	50,000	586,176
Profit for the year		84,776		84,776
Dividend paid			(50,000)	(50,000)
Proposed dividend for distribution		(250,000)	250,000	0
<b>Equity 31.12</b>	<b>11,040</b>	<b>359,912</b>	<b>250,000</b>	<b>620,952</b>

**MÆRSK OLIE, ALGERIET A/S****Notes as at 31.12.2016****(USD 1,000)****Note 1, Revenue**

The company revenue was generated from selling oil and NLG in Algeria.

**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.

**Note 3, Property, plant and equipment**

USD 1,000	2016 Production facilities, etc.	2016 Production facilities etc. under construction
Cost at 01.01	1,128,515	25,092
Additions during the year	0	14,409
Disposals during the year	509	0
Transferred	26,103	(26,103)
Cost price 31.12	1,154,109	13,398
Depreciation and write-downs at 01.01	672,892	0
Depreciation for the year	86,064	0
Depreciation and write-downs at 31.12	758,956	0
Carrying amount 31.12	395,153	13,398

Property, plant and equipment in Algeria with the right of use are included with a carrying amount of total USD 409 million (2015: USD 481 million). The consortium maintains the right of use until termination of the concession.

USD 1,000

**Note 4, Financial income**

Interest received from group companies  
Exchange rate adjustments etc.

<b>2016</b>	<b>2015</b>
528	82
0	9
<u>528</u>	<u>91</u>

**Note 5, Financial expenses**

Discounting effect on provisions  
Exchange rate adjustments etc.

723	777
4	0
<u>727</u>	<u>777</u>

**Note 6, Corporate tax**

Tax expense on profit for the year, USD 298 million (2015: expense of 327 million) comprises foreign tax expenses USD 298 million (2015: expense of USD 328 million) and Danish tax of USD 0 million (2015: USD 0 million).

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 7, Prepayment**

Prepayments include prepaid expenses, as well as prepaid taxes in Algeria.

**Note 8, Share capital**

Share capital consists of the following shares:

<u>Number</u>	<u>Nominal, DKK</u>
1	500,000
2	1,000,000
1	2,000,000
1	4,500,000
6	5,000,000
1	6,000,000
1	10,000,000
1	15,000,000
Total nominal value in DKK	<u>70,000,000</u>

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



## **Note 9, Provisions**

Other provisions include discounted abandonment provisions amounted to USD 21 million (2015: USD 21 million) and are due after 5 years.

## **Note 10, Contingencies**

For exploration in Algeria, the Company is liable jointly and severally with the other consortium partners for exploration commitment and obligations in connection with field development.

As a normal part of business operations, contracts for field development respectively chartering of drilling and production rigs, etc. By the end of 2016, there were outstanding commitments of USD 19 million (2015: 20 million).

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 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 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 the 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.