

Mærsk Olie, Algeriet A/S

CVR-No. 14030573

Annual Report 2017

Approved at the General Assembly: 11 May 2018
Chairman of the meeting: Majbritt Perotti Carlson

Amerika Plads 29, st., 2100 Copenhagen Ø

Company information

Mærsk Olie, Algeriet A/S
Amerika Plads 29, st.
2100 Copenhagen Ø
Denmark

CVR-No.:	14030573
Date of incorporation:	28 March 1990
Registered office:	Copenhagen
Financial year:	01 January 2017 - 31 December 2017

Board of Directors

Elias Kassis (Chairman)
Martin Rune Pedersen (Vice Chairman)
Troels Albrechtsen

Executive Board

Henry Jean Luc Delafon

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Representation office

Mærsk Olie, Algeriet A/S
18, Rue Mustapha Khalef
16306 Ben Aknoun, Alger
Algeria

Directors' Report

Activities

The Company is a wholly owned subsidiary of Mærsk Olie og Gas A/S (name changed to Total E&P Danmark A/S, as per May 1st 2018).

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 2017 shows a profit of USD 143 million, which is significantly higher than the result for last year (2016: USD 85 million) mainly reflecting the increase in oil price to an average of USD 54 (2016: USD 44) and in line with the expectations.

In 2017, Mærsk Olie, Algeriet A/S delivered an entitlement oil production of 31,400 boepd, slightly lower than last year (2016: 34,850 boepd).

Key figures for the Company are as follows:

USD million	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
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Income statement:

Revenue	612	555	656	1,465	1,156
Profit before financial items and tax	468	383	441	1,139	1,036
Financial items, net	1	0	(1)	0	(7)
Profit for the year after tax	143	85	113	404	414

Balance sheet:

Total assets	470	700	642	709	895
Investments in property, plant and equipment	11	14	22	38	47
Equity	389	621	586	623	819

Guidance for 2018

The result for 2018 is expected to be in line with 2017.

Change of parent company owner

The share capital in Mærsk Olie og Gas A/S was acquired by Total S.A. from A.P. Møller – Mærsk A/S with effective date 8th March 2018. This does not affect the going concern of the Company.

As of the effective date the Company is no longer part of the A.P. Møller – Maersk Group joint taxation and is instead jointly taxed with the previous Maersk Oil Group companies and Danish registered Total Group companies. Joint liability for previous periods still exists.

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 link:

http://files.shareholder.com/downloads/ABEA-3GG91Y/6206204637x0x972428/F5554324-60AA-455A-A40B-084AB5A4B979/APMM_Sustainability_Report_2017_A3_180221_final.pdf

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 recognise the advantages of a Board comprising a wide range of backgrounds such as global experience, style, culture and gender.

As of 31 December 2017 there is 1 woman among the 3 board members appointed at the general meeting. Consequently, the company's board is considered having equal representation of genders among the company's shareholder-appointed board members.

A.P. Møller - Mærsk A/S has adopted a group policy for the complete group with the aim to increase the share of the under-represented gender on the company's other management levels. In accordance with this policy the Company 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. A description of the policy and reporting on the gender composition can be found in A.P. Møller - Mærsk A/S' sustainability report which is available on the link:

http://files.shareholder.com/downloads/ABEA-3GG91Y/6206204637x0x972428/F5554324-60AA-455A-A40B-084AB5A4B979/APMM_Sustainability_Report_2017_A3_180221_final.pdf

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 2017.

The annual report for 2017 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 2017 and of the results of the Company's operations for the financial year 2017.

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, 11 May 2018

Executive Board: _____
Henry Jean Luc Delafon

Board of Directors:	_____	_____
	Elias Kassis	Martin Rune Pedersen
	(Chairman)	(Vice Chairman)

	Troels Albrechtsen	

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 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, which comprise accounting policies, income statement, balance sheet, statement of changes in equity 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, 11 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mads Melgaard

State Authorised Public Accountant
mne34354

Accounting Policies

The Annual Report for 2017 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.

The accounting policies for the Financial Statements are unchanged from last year. The accounting estimate of depreciation method of "Property, plant and equipment" has been changed with minor effect on the Financial Statements of the 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 6.2067 at 31 December 2017 (2016: DKK 7.0550).

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.

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 2017

Note		USD 1,000	
		2017	2016
1.	Revenue	612,455	555,074
	Production expenses	69,008	80,273
	Gross profit	543,447	474,801
2.	Administrative expenses	9,408	5,888
	Exploration expenses	0	168
3.	Depreciation	66,302	86,064
	Profit before financial items and tax	467,737	382,681
4.	Financial income	1,399	528
5.	Financial expenses	626	727
	Profit before tax	468,510	382,482
6.	Tax on profit for the year	325,801	297,706
	PROFIT FOR THE YEAR	142,709	84,776
7.	Proposed distribution of net profits		

MÆRSK OLIE, ALGERIET A/S
BALANCE SHEET AT 31.12.2017

Note	USD 1,000	
	2017	2016
ASSETS		
NON-CURRENT ASSETS		
3.	Property, plant and equipment	
	Production facilities etc.	347,967 395,153
	Production facilities etc. under construction	8,763 13,398
		<u>356,730 408,551</u>
	TOTAL NON-CURRENT ASSETS	<u>356,730 408,551</u>
CURRENT ASSETS		
	Inventories	<u>42,572 40,095</u>
	Receivables	
	Receivables from sale of oil etc.	257 23,659
	Receivables Group companies	37,032 204,841
	Other receivables	22 20
8.	Prepayments	<u>33,623 22,853</u>
		<u>70,934 251,373</u>
	Cash	<u>40 49</u>
	TOTAL CURRENT ASSETS	<u>113,546 291,517</u>
	TOTAL ASSETS	<u>470,276 700,068</u>

MÆRSK OLIE, ALGERIET A/S
BALANCE SHEET AT 31.12.2017

		USD 1,000	
Note		2017	2016
	LIABILITIES AND EQUITY		
	EQUITY		
9.	Share capital	11,040	11,040
	Retained earnings	377,621	359,912
	Proposed dividend	0	250,000
		<hr/>	<hr/>
		388,661	620,952
		<hr/>	<hr/>
	NON-CURRENT LIABILITIES		
10.	Other provisions	24,560	20,883
		<hr/>	<hr/>
		24,560	20,883
		<hr/>	<hr/>
	CURRENT LIABILITIES		
	Trade payables	9,186	14,055
	Payables to Group companies	2,943	1,637
	Tax payables	24,789	29,151
	Other payables	20,137	13,390
		<hr/>	<hr/>
		57,055	58,233
		<hr/>	<hr/>
	TOTAL LIABILITIES	81,615	79,116
		<hr/>	<hr/>
	TOTAL LIABILITIES AND EQUITY	470,276	700,068
		<hr/>	<hr/>
11.	Contingencies etc.		
12.	Related parties		

MÆRSK OLIE, ALGERIET A/S
STATEMENT OF CHANGES IN EQUITY AT 31.12.2017
(USD 1,000)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Dividends</u>	<u>Total</u>
Equity 01.01	11,040	359,912	250,000	620,952
Profit for the year	0	142,709	0	142,709
Dividend paid	0	0	(250,000)	(250,000)
Extraordinary dividend	0	(125,000)	0	(125,000)
Equity 31.12	11,040	377,621	0	388,661

MÆRSK OLIE, ALGERIET A/S**Notes as at 31.12.2017****(USD 1,000)****Note 1, Revenue**

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

Note 2, Staff costs

The company has one employee. All other people engaged are employed in other Group companies.

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	2017 Production facilities, etc.	2017 Production facilities etc. under construction
Cost at 01.01	1,154,109	13,398
Additions during the year	3,046	11,435
Disposals during the year	0	0
Transferred	16,070	-16,070
Cost price 31.12	1,173,225	8,763
Depreciation and write-downs at 01.01	758,956	0
Depreciation for the year	66,302	0
Depreciation and write-downs at 31.12	825,258	0
Carrying amount 31.12	347,967	8,763

Property, plant and equipment in Algeria with the right of use are included with a carrying amount of total USD 357 million (2016: USD 409 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.

2017	2016
1,398	528
1	0
<u>1,399</u>	<u>528</u>

Note 5, Financial expenses

Discounting effect on provisions

Exchange rate adjustments etc.

626	723
0	4
<u>626</u>	<u>727</u>

Note 6, Corporate tax

Tax expense on profit for the year, USD 326 million (2016: expense of 298 million) comprises foreign tax expenses USD 324 million (2016: expense of USD 298 million) and Danish tax of USD 2 million (2016: 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, Proposed distribution of net profits

USD 1,000

Extraordinary dividend

Proposed dividend for distribution

Retained earnings

2017	2016
125,000	0
0	250,000
17,709	(165,224)
<u>142,709</u>	<u>84,776</u>

Note 8, Prepayment

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

Note 9, Share capital

Share capital consists of the following shares:

Number	Nominal, DKK
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	70,000,000

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

Note 10, Provisions

Other provisions include discounted abandonment provisions amounted to USD 25 million (2016: USD 21 million) and are due after 5 years.

Note 11, 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 2017, there were outstanding commitments of USD 16 million (2016: USD 19 million).

As of 31 December 2017, 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 12, 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, Amerika Plads 29, st., 2100 Copenhagen Ø, Denmark.

As of 31 December 2017, 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.