

Mærsk Olie, Algeriet A/S

CVR-No. 14030573

Annual Report 2015

Approved at the General Assembly: 27/05/2016
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 2015 - 31 December 2015

Board of Directors

Jakob Bo Thomasen (Chairman)
Graham Stuart Talbot
Gretchen Hauser Watkins

Executive Board

Diego Ignacio Tejada Evans

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen Ø

Directors' Report

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.

In 2015, Mærsk Olie, Algeriet A/S delivered an entitlement oil production of 33,800 boepd, lower than last year (2014: 36,600 boepd) mainly due to the negative oil price development and a general decline in production from mature assets.

The result for 2015 shows a profit of USD 113 million, which is below the result for last year (2014: USD 404 million) and in line with the expectations. The main reason for the lower result is the negative oil price development.

Key figures for the Company are as follows:

USD million	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Income statement:					
Revenue	656	1,465	1,156	1,133	1,024
Profit before financial items and tax	441	1,139	1,036	1,030	950
Financial items, net	(1)	-	(7)	-	-
Profit for the year after tax	113	404	414	466	1,145
Balance sheet:					
Total assets	642	709	895	1,180	1,553
Investments in property, plant and equipment	22	38	47	76	195
Equity	586	623	819	1,105	1,414

The result for 2016 is expected to be lower than the 2015 result due to the expected lower average oil price.

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 venture, seeks to make use of environmentally friendly and energy efficient solutions to reduce negative impact on the environment.

Social responsibility is important to Maersk Oil's business and Mærsk Olie, Algeriet A/S continues its activities in line with the ultimate parent company A.P. Møller - Mærsk A/S' Sustainability Strategy.

For more information, reference is made to the ultimate parent company A.P. Møller - Mærsk A/S' sustainability report on the website:

http://www.maersk.com/~media/the%20maersk%20group/sustainability/files/publications/2016/files/maersk_group_sustainability_report_2015_a3_final.pdf

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 under-represented 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 under-represented gender.

In 2013 a group policy was adopted with the aim to increase the share of the under-represented 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.

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.

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 2015.

The annual report for 2015 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 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 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, 27 May 2016

Executive Board:

Diego Ignacio Tejada Evans

Board of Directors:

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(Chairman)

Gretchen Hauser Watkins

Graham Stuart Talbot

Graham Stuart Talbot
(Vice Chairman)

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Copenhagen, 27 May 2016

Executive Board:



Diego Ignacio Tejada Evans

Board of Directors:

Jakob Bo Thomasen
(Chairman)

Graham Stuart Talbot
(Vice Chairman)

Gretchen Hauser Watkins

Independent auditors' report

To the shareholder of Mærsk Olie, Algeriet A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Mærsk Olie, Algeriet 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 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.

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 6.83 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 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 "Prepayments". 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 recognised 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 tax amount includes the special taxes relating to extraction and production of hydrocarbons in Algeria.

The Balance Sheet

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 11 years.

Depreciation periods and residual values for tangible fixed assets 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 to sell.

Inventories, which mainly comprise spare parts etc., are measured at cost following the FIFO principle, less write-down for obsolescence.

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 and underlift at cost, 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.

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

MÆRSK OLIE, ALGERIET A/S
INCOME STATEMENT
FOR 2015

Note		USD 1,000	
		2015	2014
1.	Revenue	655,974	1,465,318
	Production expenses	128,735	242,745
	Gross profit	527,239	1,222,573
2.	Administrative expenses	5,444	778
	Exploration expenses	620	-
5.	Depreciation	80,366	82,803
	Profit before financial items and tax	440,809	1,138,992
3.	Financial income	91	189
4.	Financial expenses	777	46
	Profit before tax	440,123	1,139,135
7.	Tax on profit for the year	327,101	734,732
	PROFIT FOR THE YEAR	113,022	404,403
	Proposed distribution of net profit		
	Proposed dividend for distribution	50,000	150,000
	Retained earnings	63,022	254,403
		113,022	404,403

MÆRSK OLIE, ALGERIET A/S
BALANCE SHEET AT 31.12.2015

Note	USD 1,000	
	2015	2014
ASSETS		
NON-CURRENT ASSETS		
5. Property, plant and equipment		
Production facilities etc.	455,623	509,300
Production facilities etc. under construction	25,092	32,663
	<u>480,715</u>	<u>541,963</u>
 TOTAL NON-CURRENT ASSETS	 <u>480,715</u>	 <u>541,963</u>
 CURRENT ASSETS		
Inventories	<u>26,751</u>	<u>36,010</u>
 Receivables		
Receivables from sale of oil etc.	24,000	41,214
Receivables Group companies	90,024	64,448
Other receivables	25	-
Prepayments	<u>20,127</u>	<u>25,767</u>
	<u>134,176</u>	<u>131,429</u>
 TOTAL CURRENT ASSETS	 <u>160,927</u>	 <u>167,439</u>
 TOTAL ASSETS	 <u>641,642</u>	 <u>709,402</u>

MÆRSK OLIE, ALGERIET A/S
BALANCE SHEET AT 31.12.2015

Note	USD 1,000		
	2015	2014	
LIABILITIES AND EQUITY			
6.	EQUITY		
	Share capital	11,040	11,040
	Retained earnings	525,136	462,114
	Proposed dividend	50,000	150,000
		586,176	623,154
	PROVISIONS		
8.	Other provisions	20,669	22,192
		20,669	22,192
	SHORT-TERM LIABILITIES OTHER THAN PROVISIONS		
	Trade payables	11,216	15,464
	Payables to Group companies	1,292	4,674
	Tax payables	20,242	32,298
	Other payables	2,047	11,620
		34,797	64,056
	TOTAL LIABILITIES	34,797	64,056
	TOTAL LIABILITIES, PROVISIONS AND EQUITY	641,642	709,402
9.	Contingencies etc.		
10.	Related parties		

MÆRSK OLIE, ALGERIET A/S

Notes as at 31.12.2015

(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.

No Board of Directors' fee and Management remuneration has been charged to profit and loss account.

Note 3, Financial income

Interest received from group companies
Exchange rate adjustments etc.

2015	2014
82	184
9	5
<u>91</u>	<u>189</u>

Note 4, Financial expenses

Discounting effect on provisions
Exchange rate adjustments etc.

777	-
-	46
<u>777</u>	<u>46</u>

Note 5, Tangible assets

USD 1,000	2015	2015
	Production facilities, etc.	Production facilities etc. under construction
Cost at 01.01	1,101,826	32,663
Additions during the year	1,011	21,418
Disposals during the year	3,311	0
Transferred	28,989	(28,989)
Cost price 31.12	1,128,515	25,092
Depreciation and write-downs at 01.01	592,526	-
Depreciation for the year	80,366	-
Depreciation and write-downs at 31.12	672,892	-
Carrying amount 31.12	455,623	25,092

Tangible assets in Algeria with the right of use are included with a carrying amount of total USD 481 million (2014: USD 542 million). The consortium maintains the right of use until termination of the concession.

Note 6, Equity

	2015	2014
Share capital		
Share capital at 01.01	11,040	11,040
Share capital at 31.12	11,040	11,040
Retained earnings		
Retained earnings at 01.01	462,114	507,711
Transferred from profit for the year	63,022	254,403
Extraordinary interim dividend paid	0	(300,000)
Retained earnings at 31.12	525,136	462,114
Dividend for distribution at 01.01	150,000	300,000
Dividend paid	(150,000)	(300,000)
Proposed dividend for distribution	50,000	150,000
Dividend for distribution at 31.12	50,000	150,000
Total equity	586,176	623,154

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 7, Corporate tax

Tax expense on profit for the year, USD 327.1 million (2014: expense of 734.7 million) comprises foreign tax expenses, USD 327.1 million (2014: expense of USD 734.8 million) and Danish tax refunds, income of USD nil (2014: income of USD 0.04 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 8, Provisions

Other provisions include discounted abandonment provisions amounted to USD 21 million (2014: USD 22 million) and are due after 5 years.

Note 9, 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 developments.

As a normal part of business operations contracts for field development respectively chartering of drilling and production rigs, etc. By the end of 2015, there were outstanding commitments of USD 20 million (2014: 40 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 10, 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 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.