

APM Pipelines A/S

CVR-No. 27929028

Annual Report 2017

Approved at the General Assembly: 24 May 2018
Chairman of the meeting: Majbritt Perrotti

Amerika Plads 29 st., 2100 Copenhagen Ø

Company information

APM Pipelines A/S
Amerika Plads 29 st.
2100 Copenhagen Ø
Denmark

CVR-No.: 27929028
Date of incorporation: 28 June 2004
Registered office: Copenhagen
Financial year: 01 January 2017 - 31 December 2017

Board of Directors

Michael Simon Borrell (Chairman)
Martin Rune Pedersen
Troels Albrechtsen

Executive Board

Patrick Jacques Joseph Gilly

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Directors' Report

Activities

As of fiscal year end 2017, the Company is a wholly owned subsidiary of A.P. Møller-Mærsk A/S.

APM Pipelines A/S owns 19.5% of the gas pipeline from Tyra West to the F3 Platform in the Dutch sector of the North Sea, and has the corporate purpose to run and commercialise gas and oil pipelines and other related businesses.

Financial review

Financial performance for the year

The result for 2017 shows a loss of USD 3.8 million, mainly due to a onetime adjustment in deferred tax compared to a loss of USD 0.5 million in 2016. Due to the onetime adjustment the result deviates from the expectations set for 2017.

Guidance for 2018

The Company expects a normal operating result for 2018, as in 2016.

Subsequent Events

Change of parent company owner

The share capital in APM Pipeline was transferred from A.P. MøllerMærsk A/S to Mærsk Olie og Gas A/S in January 2018, so the Company would be included in the Maersk Oil acquisition by Total S.A. from A.P. MøllerMærsk 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 Group joint taxation and is instead jointly taxed with the previous Mærsk Oil Group companies and Danish registered Total Group companies. Joint liability for previous period still exists.

There are no further material events affecting the assessment of the Annual Report which have occurred after the balance sheet date.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of APM Pipelines A/S for 2017.

The annual report for 2017 of APM Pipelines 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.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 24 May 2018

Executive Board: _____

Patrick Jacques Joseph Gilly

Board of Directors: _____

Michael Simon Borrell

(Chairman)

Martin Rune Pedersen

(Vice Chairman)

Troels Albrechtsen

Independent auditors' report

To the shareholder of APM Pipelines 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 APM Pipelines A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, 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, 24 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Melgaard
State Authorised Public Accountant

mne34354

Martin Schmidt
State Authorised Public Accountant

mne42821

Accounting Policies

The Annual Report for 2017 of APM Pipelines A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to class B companies.

The accounting policies for the financial statements are unchanged from last year.

Foreign Currency

The functional currency is USD. The Annual Report is presented in USD. 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 invoiced tariff income during the financial year.

Production expenses comprise costs incurred in generating the revenue for the year.

Administrative expenses comprise parent company overhead, insurance and other general administrative expenses.

Financial items comprise unwinding of discounting on the abandonment provision, interest and currency exchange rate gains and losses from translation of balances in foreign currencies other than USD.

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. The Company is jointly taxed with a number of Danish companies in the A.P. Møller - Mærsk Group.

Deferred tax assets are only recognized to the extent that it is probable that they can be utilized against future taxable income or through the joint taxation.

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 establishing the pipeline. Cost includes the net present value of estimated costs of abandonment, removal and restoration.

Depreciation on production facilities etc. is made over the expected economic life up to 5 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.

Receivables are measured at net realisable value. Write-down is made for anticipated losses on an individual basis.

Prepayments recognised under assets include prepaid insurance.

Provisions are recognised when the Company has an existing legal or actual obligation and includes provision for abandonment, removal and restoration of the pipeline. Provisions are recognised on the basis of best estimates and take discounting into consideration when the time element is significant.

Liabilities

Liabilities are measured at net realisable value.

APM PIPELINES A/S**INCOME STATEMENT
FOR 2017**

Note	USD 1,000	
	2017	2016
Revenue	1,688	108
Production expenses	663	429
Gross result	1.025	(321)
1. Administrative expenses	78	45
2. Depreciations	331	0
Result before financial items and tax	616	(366)
Financial income	400	72
Financial expenses	99	179
Result before tax	917	(473)
3. Tax for the year	4,709	74
RESULT FOR THE YEAR	(3.792)	(547)
Proposed distribution of net result		
Retained earnings	(3,792)	(547)
	<u>(3,792)</u>	<u>(547)</u>

APM PIPELINES A/S**BALANCE SHEET AT 31.12.2017**

Note	USD 1,000		
	2017	2016	
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets:			
2.	Property, plant and equipment	2,542	331
		<u>2,542</u>	<u>331</u>
	TOTAL NON-CURRENT ASSETS	<u>2,542</u>	<u>331</u>
CURRENT ASSETS			
Receivables:			
	Receivables Group companies	4,503	2,467
	Tax receivables	0	63
3.	Deferred tax asset	1,511	6,402
	Other receivables	105	104
	Prepayments	0	21
		<u>6,119</u>	<u>9,057</u>
	Liquid funds (JV 19.5% share)	<u>159</u>	<u>82</u>
		<u>159</u>	<u>82</u>
	TOTAL CURRENT ASSETS	<u>6,278</u>	<u>9,139</u>
	TOTAL ASSETS	<u>8,820</u>	<u>9,470</u>

APM PIPELINES A/S
BALANCE SHEET AT 31.12.2017

Note	USD 1,000	
	2017	2016
	LIABILITIES AND EQUITY	
4.	EQUITY	
	Share capital	1,738
	Retained earnings	1,738
	(142)	3,649
	1,596	5,387
	NON-CURRENT LIABILITIES	
5.	Provisions	
	6,621	3,979
	6,621	3,979
	CURRENT LIABILITIES	
	Trade payables	
	603	104
	603	104
	TOTAL LIABILITIES	
	7,224	4,082
	TOTAL LIABILITIES AND EQUITY	
	8,820	9,470
6.	Contingencies etc.	
7.	Related parties	

APM PIPELINES A/S
Notes as at 31.12.2017
(USD 1,000)

Note 1, Staff costs

The Company has no employees, as all those engaged are employed by other group companies.

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

Note 2, Tangible assets

USD 1,000	2017 Production facilities, etc.
Cost at 01.01	<u>51,271</u>
Additions during the year	<u>2,542</u>
Cost price 31.12	<u>53,813</u>
Depreciation, amortisation and impairments at 01.01	50,940
Depreciation and amortisation for the year	<u>331</u>
Depreciation, amortisation and impairments at 31.12	<u>51,271</u>
Carrying amount 31.12	<u><u>2,542</u></u>

Note 3, Corporate tax

Tax on profit for the year is USD 4.7 million (2016: 0.1 million) including a onetime adjustment of the deferred tax asset.

The deferred tax asset amounts to USD 1.5 million (2016: USD 6.4 million) and relates to the difference between accounting and tax values of production facilities.

This Company is part of a joint taxation scheme with A.P. Møller Holding A/S. The tax is divided between the members of the joint taxation scheme by use of the full allocation

Note 4, Equity

	2017	2016
Share capital	1,738	1,738
Retained earnings		
Retained earnings at 01.01	3,650	4,196
Transferred from result for the year	(3.792)	(547)
Retained earnings at 31.12	(142)	3,650
Total equity	1,596	5,388

Share capital consists of the following shares:

	Number	Nominal, DKK
	100	100,000
	Total nominal value in DKK	10,000,000

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

Note 5, Provisions

Provisions concern the estimated expenses for abandonment of pipelines at discounted value.

Note 6, Contingencies

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 7, 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

As of 31 December 2017, the Company is 100% owned by A.P. Møller-Mærsk A/S.

The consolidated financial statements of A.P. Møller-Mærsk A/S are available at the company's address, Esplanaden 50, 1098 Copenhagen K, Denmark.

The ultimate parent company is A.P. Møller Holding A/S. The consolidated financial statements of 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.