

Total Energy Marketing A/S

CVR-No. 33057695

Annual Report 2018



Approved at the General Assembly: 24 May 2019
Chairman of the meeting: Majbritt Perotti Carlson

Amerika Plads 29, 2100 Copenhagen Ø

Company information

Total Energy Marketing A/S
Amerika Plads 29
2100 Copenhagen Ø
Denmark

CVR-No.: 33057695
Date of incorporation: 5 July 2010
Registered office: Copenhagen
Financial year: 1 January 2018 - 31 December 2018

Board of Directors

Emmanuelle Irene Genevieve Dusausoy (Chairman)
Martin Rune Pedersen
Philippe Camille Ubaldo Joseph Chauvain
Troels Albrechtsen

Executive Board

Anders Peter Damgaard

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen Ø

Directors' Report

Activities

The Company is a wholly owned subsidiary of Total E&P Danmark A/S.

Total Energy Marketing A/S buys, sells, markets and trades hydrocarbons and derivatives. In 2018 the company traded derivatives in connection with the physical oil trading. The company purchases Total's Danish entitlement gas on a producer's nomination contract and transports the gas to wholesale customers in Denmark and the Netherlands. Crude oil is marketed and sold to refineries in the region. Further, the company purchases, markets and sells third party hydrocarbons.

Financial review

Financial performance of the year

The result for 2018 shows sales revenue of USD 1,234 million and an after tax net profit of USD 29 million (2017: USD 35 million).

Key figures for the Company are as follows:

USD million	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Income statement:					
Revenue	1,234	1,723	850	1,069	1,033
Profit before financial items and tax	32	43	23	27	57
Financial items, net	4	1	(1)	(1)	0
Profit for the year after tax	29	35	18	19	44
Balance sheet:					
Total assets	164	241	301	233	318
Equity	55	26	181	164	144
Profit margin	3%	3%	3%	3%	6%
Solvency ration	34%	11%	60%	70%	45%
Return on equity	65%	169%	12%	16%	40%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysis. For definitions, see under accounting policies.

Guidance for 2019

Due to volatility in the oil price, the estimated result for 2019 is uncertain but expected to be similar to 2018 less any one off windfalls in 2018. Following the acquisition of Maersk Oil by Total, the activities in Total Energy Marketing A/S are continued, but with a large involvement from the market facing teams located in London for gas and Geneva for crude.

Change of parent company owner

The share capital in Total E&P Danmark 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 but is instead jointly taxed with the Danish registered Total Group companies. Joint liability for previous periods still exists.

Corporate Social Responsibility

Social responsibility is important for Total Energy Marketing A/S' business and the company has in 2018 continued its activities in line with the Total S.A. strategy.

For more information, reference is made to Total S.A.'s Registration Document 2018, page 177 at:

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

Requirements according to the Danish Financial Statements Act, section 99a have been fulfilled, reference to reporting for parent Company Total S.A.

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 2018 there is 1 woman among the 4 board members appointed at the general meeting. Consequently, the company's board is according to the Danish Companies Act considered having equal representation of genders among the company's shareholder-appointed board members

Total S.A. 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 Total S.A.'s Registration Document 2018, page 185 at:

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

Requirements according to the Danish Financial Statements Act, section 99b have been fulfilled, reference to reporting for parent company Total S.A.

Risks and uncertainties

Total Energy Marketing A/S is subject to a variety of risks which derive from the nature of the oil and gas trading activities, and trading of oil derivatives related hereto.

Total Energy Marketing A/S' strategic, operational, compliance, financial and emerging risks are monitored through a structured governance frame work and a mandate structure, which is communicated and approved on Total group level.

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Total Energy Marketing A/S for 2018.

The annual report for 2018 of Total Energy Marketing 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 2018 and of the results of the Company's operations for the financial year 2018.

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, 24 May 2019

Executive Board:



Anders Peter Damgaard

Board of Directors:



Emmanuelle Irene Genevieve
Dusausoy
(Chairman)



Martin Rune Pedersen



Philippe Camille Ubaldo
Joseph Chauvain



Troels Albrechtsen

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Dusausoy
(Chairman)



Martin Rune Pedersen



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Joseph Chauvain



Troels Albrechtsen

Independent auditors' report

To the shareholder of Total Energy Marketing A/S

Opinion

We have audited the financial statements of Total Energy Marketing A/S for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

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 rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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 the Management's review and, in doing so, consider whether the Management's review 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 24 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Henrik O. Larsen
State Authorised
Public Accountant
MNE no. 15839



Morten Høgh-Petersen
State Authorised
Public Accountant
MNE no. 34283

Accounting Policies

The Annual Report for 2018 of Total Energy Marketing 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.

Total Energy Marketing A/S has with reference to the Danish Financial Statements Act § 86 section 4 refrained from preparing cash flow statement.

Presentation, classification and designations in the income statement and balance sheet have been adjusted to the special nature of the Company.

Key Figures

The ratios shown in the Directors' Report are computed as follows:

$$\text{Profit margin} = \frac{\text{Result before financial items}}{\text{Revenue}}$$

$$\text{Solvency ratio} = \frac{\text{Equity, closing}}{\text{Total assets, closing}}$$

$$\text{Return on equity} = \frac{\text{Result before taxes}}{\text{Equity, closing}}$$

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 6.5213 at 31 December 2018 (2017: DKK 6.2067).

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.

Recognition and measurement

Income is recognised in the income statement as earned. All expenses are recognised in the income statement. Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and when the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow out of the Company and when the measurement of the value of the liability is reliable. On initial recognition, assets and liabilities are recognised at cost. Subsequently, assets and liabilities are measured as described below for each item.

Derivatives

Derivatives are recognised on the trading date and measured at fair value and included in other receivables (positive fair value) or other payables (negative fair value).

Derivatives classified as held for trading are recognised at fair value. Any change in fair value for oil price derivatives is recognised in the income statement under other income/costs.

The Income Statement

Revenue comprises resale of gas, oil and emission rights.

Other operating income comprises gain on derivatives held for trading.

Other operating costs comprise loss on derivatives held for trading.

Operating expenses comprise purchase of gas, oil and utilisation of emission rights.

Distribution costs comprise transportation costs regarding gas.

Administrative expenses comprise parent company overhead and other general administrative costs.

Financial items comprise interest and currency exchange rate gains and losses from translation of cash, receivables and debt in foreign currencies other than USD.

The Company is jointly taxed with a number of Danish companies in the Total 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 Balance Sheet

Long term deposit relates to a cash deposit at a trading house in connection with the Company's oil derivatives trading. The deposit is measured at the lower of cost or recoverable amount.

Inventories, which comprise oil and emission rights, are measured at cost. Where the net realisable value is lower than cost, inventories are written down to this lower value.

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.

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

Provisions are recognised when the Company has an existing legal or actual obligation and includes deferred tax and provision for unsettled claims and lawsuits. Provisions are recognised on the basis of best estimates and considering 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.

TOTAL ENERGY MARKETING A/S
INCOME STATEMENT
FOR 2018

Note	USD 1,000		
	2018	2017	
1.	Revenue	1,233,663	1,723,318
	Other operating income	54,788	54,953
	Other operating costs	(78,949)	(56,180)
		1,209,502	1,722,091
	Operating expenses	(1,163,082)	(1,665,647)
	Distribution expenses	(11,722)	(7,048)
	Gross profit	34,698	49,396
2.	Administrative expenses	(3,116)	(6,053)
	Profit before financial items and tax	31,582	43,343
3.	Financial income	4,401	7,658
4.	Financial expenses	(99)	(6,343)
	Profit before tax	35,884	44,658
5.	Tax on profit for the year	(7,222)	(9,695)
	PROFIT FOR THE YEAR	28,662	34,962
6.	Proposed distribution of net profit		

TOTAL ENERGY MARKETING A/S
BALANCE SHEET AT 31.12.2018

Note	USD 1,000	
	2018	2017
ASSETS		
NON-CURRENT ASSETS		
Financial assets		
7.	Long term deposit	18,082
		400
	TOTAL NON-CURRENT ASSETS	18,082
CURRENT ASSETS		
Inventories		
		31,999
		0
Receivables		
	Receivables from sale of oil and gas	157,272
7.	Receivables Group companies	29,421
	Other receivables	4,610
		0
		163,417
	TOTAL CURRENT ASSETS	223,302
	TOTAL ASSETS	241,384
		163,817

TOTAL ENERGY MARKETING A/S
BALANCE SHEET AT 31.12.2018

Note	USD 1,000	
	2018	2017
LIABILITIES AND EQUITY		
EQUITY		
	86	86
	45,000	0
	9,925	26,263
	<u>55,011</u>	<u>26,349</u>
NON-CURRENT LIABILITIES		
8.	1,718	1,799
9.	0	0
	<u>1,718</u>	<u>1,799</u>
CURRENT LIABILITIES		
	40,369	55,814
7.	39,666	114,290
	6,735	10,484
	20,318	32,648
	<u>107,088</u>	<u>213,236</u>
	<u>108,806</u>	<u>215,035</u>
	<u>108,806</u>	<u>215,035</u>
TOTAL LIABILITIES AND EQUITY		
	<u>163,817</u>	<u>241,384</u>
10.	Contingencies etc.	
11.	Related parties	

TOTAL ENERGY MARKETING A/S
STATEMENT OF CHANGES IN EQUITY AT 31.12.2018
(USD 1,000)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Dividends</u>	<u>Total</u>
Equity 01.01	86	26,263	0	26,349
Result for the year	0	28,662	0	28,662
Proposed dividend	0	(45,000)	45,000	0
Equity 31.12	86	9,925	45,000	55,011

Share capital consists of the following shares:

<u>Number</u>	<u>Nominal, DKK</u>
500	1,000
Total nominal value in DKK	<u>500,000</u>

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

TOTAL ENERGY MARKETING A/S

Notes as at 31.12.2018

(USD 1,000)

	<u>2018</u>
Note 1, Revenue	
<u>Segments (geographical)</u>	
Denmark	695,178
Sweden	84,673
Finland	47,213
The Netherlands	238,860
Great Britain	110,721
Germany	21,375
USA	35,643
	<u>1,233,663</u>

Note 2, Staff costs

The Company has no employees, as all those 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.

	<u>2018</u>	<u>2017</u>
Note 3, Financial income		
Interest received from Group companies	1,870	925
Exchange rate adjustments etc.	2,531	6,733
	<u>4,401</u>	<u>7,658</u>
Note 4, Financial expenses		
Other interest	0	3
Exchange rate adjustments etc.	99	6,340
	<u>99</u>	<u>6,343</u>

Note 5, Corporate tax

Tax expense on profit for the year is USD 7 million (2017: USD 10 million).

This Company is part of a joint taxation scheme with the Danish companies within the Total group. The tax is divided between the members of the joint taxation scheme by use of the full allocation method.

Note 6, Proposed distribution of net profits

	<u>2018</u>	<u>2017</u>
Proposed dividend	45,000	0
Extraordinary dividend	0	175,000
Retained earnings	<u>(16,338)</u>	<u>(140,038)</u>
	<u>28,662</u>	<u>34,962</u>

Note 7, Long term deposit and group payables (Derivatives)

The extent and nature of the Company's long term deposits is stated in the income statement and balance sheet according to accounting policies.

Derivatives comprise of futures and swaps and are settled on a day to day basis at market prices. Fair value of open positions is primarily subject to change in respect of oil price changes and currency exchange rate changes.

	<u>2018</u>	<u>2017</u>
Non-current receivables	400	18,082
Current receivables	0	4,149
Current liabilities, group	<u>(17,977)</u>	<u>(13,099)</u>
Receivables/liabilities, net	<u>(17,577)</u>	<u>9,132</u>

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

Held for trading:

Commodity hedges	<u>(17,577)</u>	<u>9,132</u>
	<u>(17,577)</u>	<u>9,132</u>

The gains/losses, including realized transactions, are recognized as follows:

Held for trading:

Oil price derivatives	<u>(24,161)</u>	<u>(1,230)</u>
Net gains/-losses recognised in other income/costs	<u>(24,161)</u>	<u>(1,230)</u>

Note 8, Provisions

Provisions are recognised based on specific estimates and the amounts as well as timing of payments are subject to variations.

Note 9, Deferred tax

	<u>2018</u>	<u>2017</u>
Deferred tax at 01.01	0	2,856
Deferred tax adjustment during the year	0	(2,856)
Deferred tax at 31.12	<u>0</u>	<u>0</u>

Note 10, Contingencies

As of 31 December 2018, the Company is jointly taxed with the Danish companies within the Total 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.

Joint liability for previous periods still exists.

The Company is part of ongoing disputes. The potential outcome is not estimated to have any significant impact on the financial position as at 31 December 2018.

Note 11, Related parties

Companies in the Total Group and the Executive board and board members of the Company are related parties.

Transactions during 2018 with related parties:

	<u>2018</u>
Sale of oil, gas etc.	130,484
Purchase of oil, gas etc.	(839,463)
Expenses related to services received	(1,649)

Remuneration to the Parent Company's Executive Board and Board of Directors is disclosed in note 2.

Payables and receivables to group entities are disclosed in the balance sheet, and financial income is disclosed in note 3.

Parties exercising control

The Company is 100% owned by Total E&P Danmark A/S.

As of 31 December 2018, the ultimate parent company is Total S.A., Tour Coupole, 2 place Jean Millier, 92078 Paris la Défense, France The consolidated Financial Statements of the Total group are available at:

<https://www.total.com/en/investors/publications-and-regulated-information/regulated-information/annual-financial-reports>

The Company is included in the consolidated Financial Statements as a subsidiary.

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