

Maersk Oil Angola A/S

CVR-No. 28701365

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

Maersk Oil Angola A/S
Esplanaden 50
1263 Copenhagen K

CVR-No.: 28701365
Date of incorporation: 11 May 2005
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

Martin John Miles

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Branch

Maersk Oil Angola
Sito no Sector de Talatona
Zona Residencial 2A,
GU16D Talatona, Luanda
Republic of Angola

Directors' Report

Activities

The Company is a wholly owned subsidiary of Mærsk Olie og Gas A/S.

Maersk Oil Angola A/S participates as operator with a 50% participating interest in Block 16 offshore Angola in partnership with Odebrecht (15%), Sonangol (20%) and Maersk Oil Angola Holdings A/S (15%). Sonangol's share of the costs are carried by the other partners, which results in a cost share for Maersk Oil Angola A/S of 62.5%. Maersk Oil Angola A/S was the operator of Blocks 8 and 23 with a 50% ownership share in partnership with Svenska Petroleum (30%) and Sonangol (20%), however the contractor group has relinquished Block 8 and returned Block 23 to Sonangol.

A Chissonga field development plan was submitted to the authorities in Q3 2013. Tender bids for the Chissonga project were received. With the low oil price, the project is challenged. Due to project timing, the activities outgoing from the Houston office were terminated in November 2016 with the Chissonga project team moving to Copenhagen. The Luanda team was also reduced significantly.

Request for approval of the development is not expected until an economically viable solution is identified and may be based on a Field Development Plan with revised scope and including cross block development of resources from neighboring blocks.

Financial review

Financial performance for the year

The result for 2016 shows a loss of USD 32 million, compared to a loss of USD 520 million in 2015. The lower loss reflects termination of exploration activity and that 2015 carried large impairments due to the declining oil price.

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>
Income statement:					
Revenue	2	1	1	10	7
Profit before financial items and tax	(33)	(517)	(162)	(396)	(200)
Financial items, net	0	(3)	0	4	4
Profit for the year after tax	(32)	(520)	(162)	(391)	(196)
Balance sheet:					
Total assets	125	200	501	600	391
Investments in property, plant and equipment	0	60	126	74	139
Equity	113	146	388	467	316
Employees:					
Average number of employees	32	82	107	77	43

Guidance for 2017

The loss for 2017 is expected to be significantly lower than 2016.

Risks and uncertainties

Maersk Oil Angola A/S is subject to a variety of risks which derive from the nature of the oil production activities.

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

Management's Statement

The Board of Directors and Executive Board have today discussed and approved the annual report of Maersk Oil Angola A/S for 2016.

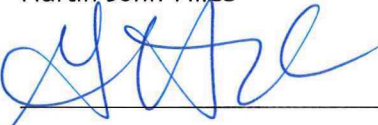
The annual report for 2016 of Maersk Oil Angola A/S has been prepared in accordance with Danish Financial Statements Act and in our opinion gives a true and fair view of the Company's assets, liabilities and the financial position at 31 December 2016 and of the results of the Company's operations for the financial year 2016.

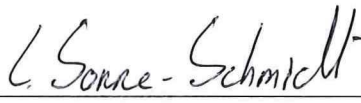
In our opinion the Directors' Report includes a fair review of the development in and the result of the Company's operations and financial conditions, the result for the year and financial position as well as a description of the most significant risks and uncertainty factors that the Company faces.


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

Copenhagen, 30 May 2017

Executive Board: 
Martin John Miles

Board of Directors: 
Gretchen H. Watkins
(Chairman)


Carsten Sonne-Schmidt
(Vice Chairman)


Samir Abboud

Independent auditors' report

To the shareholder of Maersk Oil Angola 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 Maersk Oil Angola 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 Maersk Oil Angola A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to medium 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.

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.

Maersk Oil Angola A/S has with reference to the Danish Financial Statements Act provision 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.

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 operator fee income earned during the financial year.

Exploration expenses are capitalised unless the costs do not qualify for capitalisation, and are then recognised in the income statement as incurred. Expenses for initial surveys incurred before acquisition of licence for hydrocarbon extraction are also included in the income statement as they are incurred.

Administrative expenses comprise parent company overhead as well as general administrative expenses.

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 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 Balance Sheet

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets.

IT software is amortised over a useful life of 3 years.

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. Depreciation on production facilities etc. is made over the expected economic life determined individually for each development plan.

Fixtures and operating equipment are depreciated within three years.

Depreciation periods and residual values for intangible assets and 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.

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.

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

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.

Provisions are recognised when the Company has an existing legal or actual obligation. Provisions are recognised on the basis of best estimates and take discounting into consideration when the time element is significant.

MAERSK OIL ANGOLA A/S
INCOME STATEMENT
FOR 2016

Note	USD 1,000	
	2016	2015
Revenue	1,506	665
Other income	2,000	0
Gross profit	3,506	665
1. Administrative expenses	34,850	28,527
Exploration expenses	1,201	16,003
2. Depreciation and impairment	0	472,664
Result before financial items and tax	(32,545)	(516,529)
3. Financial income	543	1,780
4. Financial expenses	460	4,848
Result before tax	(32,462)	(519,597)
5. Tax for the year	(101)	0
RESULT FOR THE YEAR	(32,361)	(519,597)
Proposed distribution of net result		
Retained earnings	(32,361)	(519,597)
	(32,361)	(519,597)

MAERSK OIL ANGOLA A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000	
	2016	2015
	ASSETS	
2.	NON-CURRENT ASSETS	
	Intangible assets	
	Exploration rights	0
	Software	0
	<u>0</u>	<u>0</u>
	Property, plant and equipment	
	Land and Buildings	0
	Fixtures and operating equipment	0
	Production facilities etc. under construction	0
	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
	CURRENT ASSETS	
	Receivables	
	Receivables from sale of goods and services	0
	Receivables Group companies	120,253
	Other receivables	156,097
6.	Prepayments	18,987
	<u>25</u>	<u>6,576</u>
	<u>120,447</u>	<u>181,802</u>
7.	Cash	4,379
	<u>18,639</u>	
	<u>124,826</u>	<u>200,441</u>
	TOTAL ASSETS	
	<u>124,826</u>	<u>200,441</u>

MAERSK OIL ANGOLA A/S
BALANCE SHEET AT 31.12.2016

Note	USD 1,000	
	2016	2015
LIABILITIES AND EQUITY		
EQUITY		
8.	Share capital	22,694
	Retained earnings	22,694
		122,848
		145,542
CURRENT LIABILITIES		
9.	Other provisions	4,164
	Trade payables	881
	Payables to group companies	4,441
	Other payables	33,018
		12,338
		8,662
		54,899
	TOTAL LIABILITIES	11,645
		54,899
	TOTAL LIABILITIES AND EQUITY	124,826
		200,441
10.	Contingencies etc.	
11.	Related parties	

MAERSK OIL ANGOLA A/S
STATEMENT OF CHANGES IN EQUITY AT 31.12.2016
(USD 1,000)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 01.01	22,694	122,848	145,542
Profit for the year	0	(32,361)	(32,361)
Equity 31.12	22,694	90,487	113,181

MAERSK OIL ANGOLA A/S

Notes as at 31.12.2016

(USD 1,000)

USD 1,000	2016	2015
Note 1, Staff costs		
Salaries and wages	6,647	13,184
Pension contributions	10	0
Other social security costs	246	215
	6,903	13,399
 Average number of employees	 32	 82

Staff costs included in the income statement are contained under the items administrative expenses and exploration expenses.

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 2, Intangible assets/ Plant, property and equipment

USD 1,000	2016	2016	2016	2016	2016
	Software etc.	Exploration rights	Fixtures and operating equipment	Production facilities etc. under con- struction	Land and Buildings
Cost at 01.01	12,938	107,500	3,528	421,898	39,515
Additions during the year	0	0	0	0	0
Transferred	0	0	0	0	0
	12,938	107,500	3,528	421,898	39,515
Cost price 31.12	12,938	107,500	3,528	421,898	39,515
Depreciation and impairment losses at 01.01	12,938	107,500	3,528	421,898	39,515
Depreciation and amortisation for the year	0	0	0	0	0
	12,938	107,500	3,528	421,898	39,515
Depreciation, amortisation and write- downs at 31.12	12,938	107,500	3,528	421,898	39,515
	12,938	107,500	3,528	421,898	39,515
Carrying amount 31.12	0	0	0	0	0

USD 1,000

Note 3, Financial income

Interest received from group companies
Exchange rate adjustments etc.

	<u>2016</u>	<u>2015</u>
	448	43
	95	1,737
	<u>543</u>	<u>1,780</u>

Note 4, Financial expenses

Interest paid
Exchange rate adjustments etc.

	402	510
	58	4,338
	<u>460</u>	<u>4,848</u>

Note 5, Corporate tax

Tax for the year is an income of USD 0.1 million (2015: USD 0.0 million).

This Company is part of a joint taxation scheme with 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 6, Prepayment

Prepayments include prepaid insurance and other costs related to future periods.

Note 7, Cash

Cash, USD 4.4 million (2015: USD 18.6 million), includes USD 4.4 million (2015: USD 18.6 million) that at year end was deposited on a restricted bank account.

Note 8, Share Capital

Share capital consists of the following shares:	Number	Nominal, DKK
	370,000	100
	73,462	1,000
	1	500,000
	1	1,000,000
	2	1,200,000
	1	1,800,000
	1	4,500,000
	1	10,000,000
	Total nominal value in DKK	130,662,304

Share capital changes in the last five years shares:	DKK
Increase of capital 20 April 2012	10,000,000
Increase of capital 7 September 2012	10,000,000
Increase of capital 3 June 2013	5,000,000
Increase of capital 13 June 2013	5,000,000
Increase of capital 2 October 2013	5,000,000
Increase of capital 1 November 2013	5,000,000
Increase of capital 10 December 2013	10,000,000
Increase of capital 10 September 2014	4,800,000
Increase of capital 5 February 2015	4,150,000
Increase of capital 20 April 2015	3,450,000
Increase of capital 3 August 2015	2,930,000
Increase of capital 30 October 2015	8,132,304

Note 9, Provisions

Provisions are due within one year and include provisions related to tax.

Provisions are recognised when the Company has an existing legal or actual obligation. Provisions are recognised on the basis of best estimates and take discounting into consideration when the time element is significant.

Note 10, Contingencies

As a normal part of business operations field development plans are signed and drilling and production rigs are chartered. At the end of 2016 the total commitments are USD 260 thousands (2015: USD 4.1 million), of which USD 260 thousands is for leasing commitments (2015: USD 3 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 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.