

# MAERSK TANKERS A/S

(Central Business Registration no: 28 67 35 90)

Annual Report 2018  
(12th Accounting Year)

The Annual Report was presented and adopted at the Annual General Meeting.



Copenhagen, 9 April 2019

Chairman of the meeting

Nicolai Eigtvæds Gade 28, 1402 København K

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**Company information**

Maersk Tankers A/S  
Nicolai Eigtveds Gade 28, 4th floor  
1402 Copenhagen K  
Denmark

Registration no.: 28 67 35 90  
Founded: 7 December 2006  
Domicile: Copenhagen  
Financial year: 1 January - 31 December

**Board of directors**

Robert M. Uggla (Chairman)  
Paul J. Reed (Vice Chairman)  
Martin N. Larsen  
Maria A. Pejter  
Ibrahim Gokcen

**Executive Management**

Christian M. Ingerslev  
Morten M. Christensen

**Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
2900 Hellerup  
Denmark

**General meeting**

April 2019

Amounts in USD million

### Financial highlights

	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<i>Revenue</i>	300	275	451	623	655
<i>Profit/loss before depreciation and impairment losses</i>	(16)	(79)	47	153	29
<i>Financial items, net</i>	2	7	(23)	(6)	86
<i>Profit/loss for the year - continuing operations</i>	(14)	(72)	35	171	210
<i>Profit/loss for the year</i>	(14)	(479)	35	171	210
<i>Total assets</i>	175	726	1,752	1,587	1,610
<i>Equity</i>	31	546	1,023	990	1,414
<i>Investments in tangible fixed assets</i>	0	3	15	130	133
<i>Profit margin</i>	-5.5%	-29.4%	10.4%	24.5%	4.4%
<i>Equity ratio</i>	17.9%	75.5%	58.5%	62.4%	87.8%
<i>Return on equity</i>	-5.0%	-10.3%	3.5%	14.2%	16.0%

2017 and 2018 figures are impacted by carve out of the vessel owning activities which are presented as discontinued operations in 2017. Figures for 2014-2016 are not adjusted to reflect the carve out.

## Management's review

Maersk Tankers A/S is a 100% owned subsidiary of APMH Invest A/S.

The business objectives of Maersk Tankers A/S and subsidiaries (hereafter: "Maersk Tankers") are to perform commercial and technical management in strategic partnership with vessel owning companies including the sister company Maersk Product Tankers A/S and to perform trading of freight rate risks through arbitrage between physical and financial market.

### Restructuring of Maersk Tankers in 2017

In October 2017, APMH Invest A/S (a subsidiary of A.P. Møller Holding A/S) acquired all shares in Maersk Tankers from A.P. Møller – Mærsk A/S. In connection with the acquisition, it was announced that Maersk Tankers would transfer all its vessel owning activities to its new subsidiary Maersk Product Tankers A/S.

As per 14 December 2017, the board of Maersk Tankers decided to contribute all assets and liabilities related to vessel owning activities to Maersk Product Tankers A/S through a contribution in kind.

The result from the contributed activities prior to the contribution date has been presented as discontinued operations in the income statement for 2017.

### Divestment of Maersk Product Tankers A/S and subsidiaries in 2018

In April 2018, an extraordinary distribution was declared. The dividend amounted to USD 475.6 million and was contributed by transfer of nominal DKK 9,500,000 shares (95%) in Maersk Product Tankers A/S to APMH Invest A/S. The remaining 5% of the shares was sold to APMH Invest A/S.

In April 2018 a share decrease was approved. The share capital decreased with DKK 198 million (USD 34.2 million) to DKK 100 million (USD 17.2 million). Of the share capital decrease USD 24 million was distributed to shareholders.

### Activities for the year

The result of the continuing activities for the year is a loss of USD 14.4 million (2017: USD 479.2 million loss). The result was negatively impacted by restructuring costs and loss on legacy time-charter contracts.

### Energy value chain

Of the world's seaborne transportation, 9% is carried out by product tanker vessels. Companies operating in the industry carry oil products from refineries to distribution points determined by customers, who are mainly oil majors and trading houses. As demand for oil is expected to remain high for decades to come, the industry will continue to play a critical part in the energy value chain.



## Management's review, continued

### Risks

#### *Freight rates*

Maersk Tankers' trading of freight rate risks through arbitrage between physical and financial market exposes the company to fluctuations in global freight rates and bunker prices. Vessels leased for trading or risk management purposes are largely exposed in the spot market, but coverage is applied selectively if deemed attractive.

#### *Currency rates*

Maersk Tankers' income is mainly in USD, whereas spending is spread across several currencies, including USD. It is Maersk Tankers policy to partly hedge fluctuations in exchange rates. As of 31 December 2018, Maersk Tankers had 53% (2017: 36%) of its exchange rate risks on expected costs for the next 12 months hedged by the use of FX forwards.

### Corporate social responsibility

Maersk Tankers is part of the global energy value chain, providing transportation solutions to oil companies and trading houses, as noted in the section 'Energy value chain'. As an international company operating at sea and onshore, Maersk Tankers' activities have an impact on people, societies and the environment. We acknowledge this responsibility and are committed to conducting our business in an ethically, environmentally and socially responsible manner, while also promoting responsible practice in our business relations.

We do this by adhering to the company's core values and through the implementation of policies and guidelines. Our Code of Conduct, for example, describes what we expect from those we are working with. It also reflects our commitment to the United Nations Global Compact and our respect for universally recognised standards such as the United Nations Universal Declaration of Human Rights.

Making a real impact often requires industry collaboration. Through our partnership with Maersk Product Tankers, we are working with other vessel owners and stakeholders and are able to promote responsible practices in the maritime industry and supply chain. This includes a commitment to the principles expressed in the United Nations Sustainable Development Goals, in the High Impact Low Frequency (HiLo) initiative and in the Maritime Anti-Corruption Network (MACN).

#### *Four main areas*

##### *Human rights*

Human rights are a precondition to ensure the freedom and dignity of people. Safety at work is a basic human right, preventing major accidents or fatalities. We are committed to achieving zero incidents at work by making safety a top priority for Maersk Tankers. We base our decisions and actions on achieving zero incidents, and encourage an open dialogue and feedback process throughout the company in safety matters. During 2018, we continued to promote safety with campaigns, training and optimised safety tools.

## Management's review, continued

### *Environmental action*

Air emissions from seaborne transportation have negative effects on human health and the natural environment. We continuously seek to improve vessel efficiency, which will reduce both costs and CO2 emissions. New ways of using data and a new digital solution that draws on market rates, bunker prices and weather conditions have been developed in 2018 and will help to determine the right speed for vessels, which will optimise fuel consumption and have a positive impact on CO2 emissions. Additionally, the testing of wind-propulsion technology in cooperation with Maersk Product Tankers on board one of their LR2 product tanker vessels has begun, targeting an annual average reduction in fuel consumption and associated emissions of 7-10%.

### *Responsible procurement*

International companies' purchasing decisions have an impact on environmental, social and economic conditions around the world. The safe and reliable operation of vessels is dependent on a large and complex network of suppliers worldwide. We have strengthened our policy in 2018 to ensure that suppliers that fall in a high-risk category take a responsible approach towards people, environment and assets. This approach needs to be in accordance with international and our own standards. Suppliers must also establish similarly responsible practices towards their own suppliers to promote a sustainable supply chain.

### *Anti-corruption work*

Corruption undermines social and economic development, destabilises the business environment, adds to the cost of trade and has a negative impact on markets and countries. Our vessels carry cargo for customers and make a large number of port calls worldwide. Regardless of destination, we demand that both crew and employees onshore take a zero-corruption stand. This is supported by our membership of the Maritime Anti-Corruption Network (MACN), which works towards eliminating corruption and enabling fair trade in the maritime industry, and the company's adherence to the Zero Facilitation Payment (FP) Policy. Our work in 2018 has ensured progress has been made to reduce the number of facilitation payments.

You can read more about our work in the sustainability report:

<https://maersktankers.com/about/sustainability/sustainability-update-archive>

## **Diversity**

We strive to create a diverse and inclusive work culture in accordance with our Core Values, enabling diversity of thought and helping us attract and retain employees from the widest talent pool. We do this by building teams with differences in, among other things, nationality, age, experience and gender. Strategy and initiatives related to the recruitment and development of employees are in place to support us in realising our ambitions.

At the date of the signing of the annual report, the Board of Directors had one female director among its five members. Despite an active search in recruitment, it will not be possible to meet the diversity target of 33% female Board members by May 2019. The Board will revise the target in 2019.

On other management levels, Maersk Tankers will continue to pursue a diverse and inclusive composition of members.

The company continued its work on strengthening this area in 2018. This included, for example, more actively shortlisting female candidates in the recruitment process. The work will continue to further bridge the gap in the coming years.

## **Management's review, continued**

### **Expectations for 2019**

The result for 2019 is expected to improve due to higher freight rates and lower external costs.

### **Events after balance sheet date**

No events of importance to the Annual Report have occurred during the period from the balance sheet date until the presentation of the financial statements.



## Statement of the Board of Directors and the Executive Management

The Board of Directors and Executive Management have today considered and adopted the Annual Report for the financial year 1 January - 31 December 2018 for Maersk Tankers A/S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Company's financial statements give a true and fair view of the financial position at 31 December 2018 as well as the result of the Company's operations for financial year 1 January to 31 December 2018.

Furthermore, in our opinion the Management's review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results of the year and of the financial position of the Company and of the most significant risks and elements of uncertainty facing the Company.

We recommend the Annual Report for adoption at the Annual General Meeting.

Copenhagen, 27 March 2019

### *Executive Management*

Christian Michael Ingerslev  
CEO

Morten Mosegaard Christensen  
CFO

### *Board of Directors*

Robert Maersk Uggla  
*Chairman*

Paul Jonathan Reed  
*Vice Chairman*

Martin Nørkjær Larsen

Maria Aagaard Pejter

Ibrahim Gokcen

## Independent Auditor's Report

To the Shareholders of Maersk Tankers 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 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.

We have audited the Financial Statements of Maersk Tankers A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Management's Review

Management is responsible for Management's Review.

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

Based on the work we have performed, in our view, Management's Review 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 Management's Review.

### 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.

Copenhagen, 27 March 2019

### PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Thomas Wraae Holm  
State Authorised Public Accountant  
MNE-number 30141

Henrik Ødegaard  
State Authorised Public Accountant  
MNE-number 31489

Amounts in USD '000

<i>Note</i>	<b>Income statement</b>	<b>2018</b>	<b>2017</b>
1	Revenue	300,424	274,714
2	External costs	(316,801)	(353,554)
	<b>Profit/loss before depreciation and impairment losses</b>	<b>(16,377)</b>	<b>(78,839)</b>
7	Depreciation and impairment losses	(2,298)	(1,143)
	Result on sale of non-current assets, net	0	(427)
	<b>Profit/loss before financial items</b>	<b>(18,675)</b>	<b>(80,409)</b>
8	Impairment/reversal of subsidiaries and associated companies	(3,195)	0
3	Financial income	4,209	14,551
4	Financial expenses	(1,765)	(7,148)
	<b>Profit/loss before tax</b>	<b>(19,426)</b>	<b>(73,006)</b>
5	Tax on profit for the year	5,005	687
	<b>Profit/loss for the year - continuing operations</b>	<b>(14,421)</b>	<b>(72,319)</b>
	Discontinued operations	0	(406,918)
6	<b>Profit/loss for the year</b>	<b>(14,421)</b>	<b>(479,237)</b>

Amounts in USD '000

<i>Note</i>	<b>Assets</b>	<b>2018</b>	<b>2017</b>
	IT software	4,153	5,998
7	<b>Total intangible assets</b>	<b>4,153</b>	<b>5,998</b>
8	Investment in subsidiaries	18,495	526,156
8	Investment in associated companies	199	639
9	Deferred tax	5,229	0
	<b>Total fixed asset investments</b>	<b>23,923</b>	<b>526,795</b>
	<b>Total non-current assets</b>	<b>28,076</b>	<b>532,794</b>
	<b>Inventories</b>	<b>6,952</b>	<b>5,564</b>
	Trade receivables	31,032	45,028
	Receivables from affiliated companies	15,079	27,158
	Tax receivables	3,219	2,416
	Other receivables	1,206	16,982
	Prepayments	23,190	14,934
	<b>Total receivables</b>	<b>73,726</b>	<b>106,518</b>
10	<b>Cash and bank balances</b>	<b>65,820</b>	<b>81,456</b>
	<b>Total current assets</b>	<b>146,498</b>	<b>193,538</b>
	<b>TOTAL ASSETS</b>	<b>174,574</b>	<b>726,332</b>

Amounts in USD '000

Note	Equity & liabilities	<u>2018</u>	<u>2017</u>
11	Share capital	17,247	51,401
	Retained earnings	14,022	494,800
	<b>Total equity</b>	<b><u>31,269</u></b>	<b><u>546,201</u></b>
	Deferred tax liability	0	168
12	Provisions	5,647	15,762
	<b>Total non-current liabilities</b>	<b><u>5,647</u></b>	<b><u>15,930</u></b>
	Bank and other credit institutions, etc.	302	328
	Trade payables	61,973	44,096
	Payables to affiliated companies	34,077	86,566
	Deferred income	8,731	2,475
13	Value of derivatives	2,430	1,818
	Other payables	30,145	28,918
	<b>Total current liabilities</b>	<b><u>137,658</u></b>	<b><u>164,201</u></b>
	<b>Total liabilities</b>	<b><u>143,305</u></b>	<b><u>180,131</u></b>
	<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b><u>174,574</u></b>	<b><u>726,332</u></b>
14	Contingent liabilities		
15	Related parties		
16	Accounting policies		

Amounts in USD '000

	<b>Share capital</b>	<b>Retained earnings etc.</b>	<b>Total equity</b>
<b>Statement of changes in Equity</b>	<hr/>	<hr/>	<hr/>
Equity 1 January 2017	51,401	972,073	1,023,474
Profit/loss for the year	0	(479,237)	(479,237)
Cash flow hedge	0	1,964	1,964
<b>Equity as of 31 December 2017</b>	<b><hr/>51,401</b>	<b><hr/>494,800</b>	<b><hr/>546,201</b>
Profit/loss for the year	0	(14,421)	(14,421)
Cash flow hedge, net of tax	0	(899)	(899)
Share capital decrease	(34,154)	10,165	(23,989)
Extraordinary dividend	0	(475,623)	(475,623)
<b>Equity as of 31 December 2018</b>	<b><hr/>17,247</b>	<b><hr/>14,022</b>	<b><hr/>31,269</b>

Amounts in USD '000

Note

**1 Revenue - Geographical segments**

Distribution of revenue is based on the destination, split into three principal regions; Europe, North and South America and Other Regions.

	<u>2018</u>	<u>2017</u>
Europe	178,338	108,579
North and South America	27,976	40,271
Other regions <sup>1</sup>	94,110	125,865
	<u><b>300,424</b></u>	<u><b>274,714</b></u>

1) Other regions primarily include Africa, Asia and the Middle East.

**2 External costs**

In the accounting year an average of 151 persons (2017: 163 persons) were employed by the Company. The total staff cost for 2018:

	<u>2018</u>	<u>2017</u>
Salaries	27,678	26,880
Pensions	2,090	1,888
Other	1,946	2,865
	<u><b>31,714</b></u>	<u><b>31,633</b></u>

In 2018 the Executive Management has received remuneration amounting to USD 1.5 million. With reference to the Danish Financial Statement Act 98b section 3 the remuneration for executive management in 2017 has not been disclosed as the executive management only consisted of one person.

The Board of Directors has for 2018 received fees amounting to USD 0.1 million (2017: 0).

**3 Financial income**

	<u>2018</u>	<u>2017</u>
Other financial income	4,209	14,551
	<u><b>4,209</b></u>	<u><b>14,551</b></u>

**4 Financial expenses**

Interest expenses from affiliated companies	(88)	0
Interest expenses from others	(195)	(300)
Other financial expenses	(1,482)	(6,847)
	<u><b>(1,765)</b></u>	<u><b>(7,148)</b></u>



Amounts in USD '000

Note

<b>5 Tax on profit for the year</b>	<b>2018</b>	<b>2017</b>
Current income tax	2,260	2,696
Prior years adjustments	(2,693)	(2,009)
Changes in deferred tax asset	5,270	0
Changes in deferred tax liabilities	168	0
	<b>5,005</b>	<b>687</b>
<b>6 Proposed distribution of the profit for the year</b>	<b>2018</b>	<b>2017</b>
Retained earnings	(14,421)	(479,237)
<b>Total</b>	<b>(14,421)</b>	<b>(479,237)</b>

*Extraordinary dividends amounting to USD 475.6 million was declared in 2018.*

<b>7 Intangible assets</b>	<b>2018</b>
	IT software
Cost as of January 1	7,722
Addition during the year	453
<b>Cost as of December 31</b>	<b>8,175</b>
Amortisation and impairment losses as of January 1	(1,724)
Amortisation and impairment for the year	(2,298)
<b>Amortisation and impairment losses as of December 31</b>	<b>(4,022)</b>
<b>Carrying amount as of December 31</b>	<b>4,153</b>

Amounts in USD '000

Note

**8 Investments in subsidiaries**

	<b>2018</b>
Cost as of January 1	642,755
Decrease in cost price due to distribution	(3,810)
Disposals	<u>(511,445)</u>
<b>Cost as of December 31</b>	<b><u>127,500</u></b>
Impairments as of January 1	116,599
Impairment of the year	3,195
Impairment related to disposed subsidiaries	<u>(10,789)</u>
<b>Impairments as of December 31</b>	<b><u>109,005</u></b>
<b>Carrying amount as of December 31</b>	<b><u>18,495</u></b>

**Subsidiaries**

Name	Domicile	Capital	Equity	Profit/loss	Ownership interest
Broström General Partner A/S 1)	Denmark	90	133	2	100%
Maersk Tankers MR General Partner A/S 1)	Denmark	90	131	0	100%
O.P.S.A. Operadora Portuaria S.A. 2)	Venezuela	12	(2,454)	0	100%
Maersk Tankers Holland B.V. 1)*	Holland	816	18,092	(25)	100%
Handytankers General Partner A/S 1)	Denmark	92	71	5	100%
Handytankers K/S 1)	Denmark	13	14	1	100%
Broström AB 1)	Sweden	6	4,543	2,332	100%
Maersk Tankers LR2 General Partners A/S 1)	Denmark	75	75	6	100%
Broström K/S 1)	Denmark	12	8	(1)	100%
Maersk Tankers MR K/S 1)	Denmark	12	7	(1)	100%
Maersk Tankers LR2 K/S 1)	Denmark	12	8	(1)	100%
Maersk Tankers Romania SRL 3)	Romania	5	0	0	100%
Maersk Tankers Afra KS 1)	Denmark	12	0	0	100%
Maersk Tankers Afra General Partner AS 1)	Denmark	72	77	5	100%
Maersk Tankers India Private Ltd. 3)	India	15	220	205	100%
Maersk Tankers US Inc. 3)	US	7,230	0	0	100%
Maersk Tankers US Personell LLC 4)	US	0	0	0	100%

**Investments in associated companies**

	<b>2018</b>
Cost as of January 1	639
Reduction in cost price due to distribution	<u>(440)</u>
<b>Cost as of December 31</b>	<b><u>199</u></b>

**Associated companies**

Name	Domicile	Capital	Equity	Profit	Ownership interest
Long Range 2 A/S 2)	Denmark	57	12	1	50%
LR2 Management K/S 2)	Denmark	18	61	4	50%

1) 2017-figures

2) 2013-figures

3) Established in 2017

4) Established in 2018

\* Maersk Tankers France SAS has been merged to Maersk Tankers Holland B.V in 2018

Amounts in USD '000

Note

<b>9</b>	<b>Deferred tax asset</b>	<b>2018</b>
	Deferred tax as of 1 January	0
	Adjustment of deferred tax asset recognised in the income statement	5,100
	Adjustment of deferred tax asset recognised in equity	129
	<b>Deferred tax as of 31 December</b>	<b>5,229</b>

Deferred tax is related to:

Intangible assets	640
Current assets	545
Provisions	952
Loss carried forward	3,092
	<b>5,229</b>

Deferred tax is calculated based on the difference between the carrying amount and the tax base of assets and liabilities. Management expects the deferred tax asset to be utilised by Maersk Tankers A/S itself or by the group of jointly taxed companies within a few years.

#### 10 Cash and bank balances

USD 35.6 million of the total liquid funds are classified as restricted funds (2017: USD 45 million).

#### 11 Share capital

Share capital of nominally DKK 100 million (2017: DKK 298 million) is divided into 100,000 shares (2017: 298,000 shares) of a nominal value of DKK 1,000 each.

#### 12 Provisions

	<b>2018</b>
Provisions as of January 1	15,762
Provisions for the year	2,397
Provisions used/reversed during the year	(12,512)
Other provisions as of December 31	<b>5,647</b>

Maturities for provisions are expected to be:

Within a year	3,972
Between one and five years	1,675
	<b>5,647</b>

Provisions relate to onerous contracts on chartered vessels, unsettled claims and legal disputes.

Note

### 13 Derivatives

The company is exposed to currency risk mainly from changes in DKK, INR and SGD. As per 31 December 2018 the company has entered into derivatives to hedge fluctuations in administration costs in those currencies. The derivatives have a duration of 0-12 months and the coverage on the 31 December 2018 was 53% of the expected cost incurred within 12 months from the balance sheet date. Currency derivatives are designated as hedge accounting.

The company is to some extent using derivatives related to fluctuations in prices of bunker and freight prices (Forward Freight Agreements). The duration of the derivatives on bunker prices and freight prices are typically 0-12 months and is based on market expectations. On 31 December 2018 the derivatives on bunker and forward freight agreements had a negative fair value of USD 1,7 million and positive fair value of USD 0,4 million respectively.

Company's risk management policies are applied to all derivatives.

### 14 Contingent liabilities

Maersk Tankers A/S is involved in commercial claims and disputes, which are subject to uncertainty. Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish Company is jointly liable for taxes payable etc. in Denmark.

Maersk Tankers A/S has entered into operating leasing obligations totaling USD 80 million (December 31 2017: USD 114 million) until 2024.

### 15 Related parties

Maersk Tankers A/S' related parties include:

#### Controlling interest

Maersk Tankers A/S is 100% owned by APMH Invest A/S, Esplanaden 50, 1263 Copenhagen K, Registration no. 36 53 38 46. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner.

#### Other related parties with significant interest

Maersk Tankers A/S is included in the consolidated financial statements for A.P. Møller Holding A/S, Copenhagen, Denmark, Business Registration No 25 67 92 88. The consolidated financial statement of A.P. Møller Holding A/S can be required at [www.cvr.dk](http://www.cvr.dk).

Other related parties include A.P. Møller-Mærsk A/S, Maersk Product Tankers A/S and APMH Invest A/S and their subsidiaries.

The Company's related parties include the members of the Board of Directors, Executive Management and the key executives, as well as the related family members of these persons. Related parties also include companies in which the abovementioned persons have a significant interest.

#### Transactions with related parties

As part of its usual trading, the Company purchases and sells goods and services from/to companies under direct or indirect ownership of A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til Almene Formaal.

The Company has not entered into any transactions with related parties that were not on an arm's length basis.

*Note***16 Accounting policies**

The Annual Report for 2018 of Maersk Tankers A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applicable to class-C (large) companies.

In accordance with provision 112 of the Danish Financial Statements Act, no consolidated accounts have been presented as Maersk Tankers A/S and its subsidiaries are included in the consolidated accounts of A.P. Møller Holding A/S.

In accordance with provision 86 (4) of the Danish Financial Statements Act, no cash flow statement has been presented as Maersk Tankers A/S is included in the consolidated cash flow statement of A.P. Møller Holding A/S.

In accordance with provision 96 (3) of the Danish Financial Statements Act, Audit fee has not been presented as Maersk Tankers A/S is included in the audit fee note in the consolidated accounts of A.P. Møller Holding A/S.

The accounting policies are unchanged compared to last year.

**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.

**Foreign Currency Translation**

USD is used as functional currency and as presentation currency as the majority of transactions are in USD. At 31 December 2018, the exchange rate DKK/USD was 652,11 (2017: 620,67).

Transactions in currencies other than the functional currency are translated to the exchange rate on the date of the transaction. Monetary items in foreign currency not settled by the balance sheet date are translated to the exchange rate on the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income and expenses.

**Revenue**

Revenue is recognized as the service is rendered, by which incomplete voyages are recognized at the share related to the financial year.

**External costs**

External costs include costs for staff, costs for premises, costs for rental of vessels, operating costs, administration etc.

**Financial items**

Financial income and expenses are recognized in the income statement at the amount relating to the financial year. Financial items include interest income and expense, gains and losses on transactions in foreign currency.

Note

## 16 Accounting policies, continued

### Tax on profit for the year

Tax on profit for the year includes the amount expected to be paid for the year plus adjustment concerning previous years and deferred tax.

### Balance Sheet

#### Intangible fixed assets

Intangible fixed assets are measured at cost less of accumulated depreciation 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 3-5 years.

#### Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are recognized and measured at cost or at a lower fair value.

#### Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset is recognised to the extent that it is probable that it can be utilised within a foreseeable future.

#### Inventories

Inventories are measured at cost according to the FIFO method. Write-down is made to a possibly lower net realisable value.

#### Receivables

Receivables are generally recognised at nominal value. Provisions for bad debts are made based on specific assessment, either individually or in groups.

#### Prepayments

Prepayments, listed as assets, are recognised on the basis of prepaid costs.

#### Derivatives

Derivatives are measured at fair value and included under the item "Value of hedging contracts, etc." (assets and liabilities).

Realised changes to the value of derivatives, used to hedge the value of recognised assets or liabilities, are included in the income statement together with the changes in the value of these assets and liabilities.

Unrealized changes to the value of derivatives, used to hedge future transactions, are recognised directly in equity until the hedged transactions are realised, at which time value changes are recognised in the income statement.

Changes to the value of derivatives that do not meet the requirements for being considered as hedging instruments are included in the income statement.

Note

## 16 Accounting policies, continued

### Provisions

Provisions are recognised when the Company has a current legal or constructive obligation. Provisions are recognised on the basis of specific estimates.

### Financial liabilities

Financial liabilities are initially recognised at the proceeds received and considering discounting when the time element is significant. Any premium or discount is amortised over the term of the liabilities.

### Discontinued activities

Discontinued operations represent a separate major line of business disposed of or in preparation for sale. The results of discontinued operations are presented separately in the income statement.

Assets and liabilities from discontinued operations and assets held for sale are measured at the lower of carrying amount immediately before classification as held for sale and fair value less cost to sell and impairment tests are performed immediately before classification as held for sale. Non-current assets held for sale are not depreciated.

### Financial highlights

The ratios and figures shown in the statement of financial highlights are computed as follows:

Profit margin

$$\frac{\text{Profit before depreciation and impairment losses}}{\text{Revenue}}$$

Equity ratio

$$\frac{\text{Equity, closing}}{\text{Total assets, closing}}$$

Return on equity

$$\frac{\text{Profit/loss for the year}}{\text{Average equity}}$$