


MAERSK TANKERS A/S

(Central Business Registration no: 28 67 35 90)

Annual Report 2019
(13th Accounting Year)

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

Copenhagen, 21 April 2020



Chairman of the meeting

Holmbladsgade 133, 2300, Copenhagen S

Contents

Company information	2
Financial highlights	3
Management's review	4
Statement of the Board of Directors and the Executive Management	8
Independent auditors' report	9
Income statement	11
Assets	12
Equity & liabilities	13
Statement of changes in Equity	14
Notes & accounting policies	15

Company information

Maersk Tankers A/S
Holmbladsgade 133
2300 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 2020

Amounts in USD million

Financial highlights

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Revenue</i>	419	300	275	451	623
<i>Profit/loss before depreciation and impairment losses</i>	34	(16)	(79)	47	153
<i>Financial items, net</i>	(0)	2	7	(23)	(6)
<i>Profit/loss for the year - continuing operations</i>	17	(14)	(72)	35	171
<i>Profit/loss for the year</i>	17	(14)	(479)	35	171
<i>Total assets</i>	254	175	726	1,752	1,587
<i>Equity</i>	49	31	546	1,023	990
<i>Investments in tangible fixed assets</i>	37	0	3	15	130
<i>Profit margin</i>	8.1%	-5.5%	-29.4%	10.4%	24.5%
<i>Equity ratio</i>	19.4%	17.9%	75.5%	58.5%	62.4%
<i>Return on equity</i>	41.3%	-5.0%	-10.3%	3.5%	14.2%

2017 and 2018 figures are impacted by carve out of the vessel owning activities which are presented as discontinued operations in 2017. Figures for 2015-2016 are not adjusted to reflect the carve out. IFRS 16 'Leases' was implemented as of 1 January 2019 applying the modified retrospective approach under which comparative figures are not to be adjusted in the financial statements.

Management's review

Maersk Tankers A/S is a 100% owned subsidiary of APMH Invest A/S (a subsidiary of A.P. Møller Holding A/S).

Maersk Tankers has an industry-leading position within the product tanker market and is managing one of the largest product tanker fleets in the world, totalling 189 vessels in five segments: Intermediate, Handy, MR, LR2 and Aframax.

Maersk Tankers is working to secure long-term profitable growth while reducing CO2 emissions and retaining high employee engagement through its strategy, consisting of four priorities. The first priority is to enhance total profitability of vessels owned by Maersk Product Tankers, which means buying at attractive prices and selling when financially solid returns can be achieved. The second priority is to increase the number of vessels under commercial management by attracting and retaining pool partners with a competitive service. The third priority is to offer alternative freight solutions to partners to reduce their risk. The fourth priority is to develop and deploy digital solutions in the industry.

Activities for the year

The result of for the year is a profit of USD 16.6 million (2018: USD 14.4 million loss). The result was positively impacted by improved fee income, a better result in Freight Trading and reduced administration costs.

Energy value chain

Of the world's seaborne transportation, 9% is carried out by product tanker vessels. Maersk Tankers operates as a commercial, corporate and technical manager for companies operating in the industry carrying 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 2019, Maersk Tankers had 52% (2018: 53%) 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, carrying energy products for oil companies and trading houses, as noted in the section 'Energy value chain'.

Maersk Tankers' activities have an impact on people, society and the environment. We acknowledge this responsibility, and it is at the centre of our values to conduct our business in an ethically, environmentally and socially responsible manner, while also promoting responsible practice in our business relations.

We are committed to the United Nations Global Compact and universally recognised standards, including the United Nations Universal Declaration of Human Rights. Furthermore, we are pursuing industry-wide collaboration and global partnerships. These include a commitment to the principles expressed in the United Nations Sustainable Development Goals, to which we are a signatory.

Our sustainability strategy focuses on three main areas: safety, climate and responsible business.

Safety

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 2019, we continued to promote safety with campaigns, training and optimised safety tools. This included continued work to foster a safety culture, underpinned by procedural compliance, robust reporting and open dialogue and feedback processes throughout the company.

Management's review, continued

Climate

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. We have made it a strategic priority to work with the United Nations Sustainable Development Goal 13 'Take urgent action to combat climate change and its impacts'. We are prioritising this area as this is where our efforts will have the greatest impact taking our business and value chain into consideration.

New ways of using data and a new digital solution that draws on market rates, bunker prices and weather conditions have been developed and used by Maersk Tankers and helped determine the right speed for vessels, which will optimise fuel consumption and have a positive impact on CO2 emissions. As we intensify our efforts to reduce CO2 emissions, we will leverage that we for years have invested in, tested and used fuel-efficient technologies such as super-slow steaming, silicon paints, wind-propulsion technology and propeller boss cap fins. These technologies, along with commercial initiatives, such as choosing the most energy efficient vessels for longer trades, will continue to be important. We are also confident of the potential that lies in digital solutions developed by the company, such as SimBunker is helping vessels becoming more fuel-efficient.

Responsible business

Global 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. Our responsible procurement programme is aimed at ensuring suppliers conduct business in a responsible manner, in accordance with the international and our own standards. In 2019 we took further measures to implement the programme. This included training our procurement team in the due diligence process for new suppliers and ensuring the team is taking a more active role in communicating the company's requirements to suppliers.

Corruption is illegal, undermines social and economic development, destabilises the business environment, adds to the cost of trade and has a negative impact on markets and society. We have put strict policies in place to ensure we do not engage in corruption of any kind. We are a member of Maritime Anti-Corruption Network (MACN), which works towards eliminating corruption and enabling fair trade in the maritime industry. We strictly adhere to our Zero Facilitation Payment (FP) Policy. In 2019, we continued to re-enforce the Anti-Corruption Policy through fleet communication and training.

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

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

Diversity and inclusion

We strive to create a diverse and inclusive work culture in accordance with our Core Values. This increases diversity of thought within the company and helps us to attract and retain employees from the widest talent pool. We do this by building teams with differences in, among other things, nationality, age and experience.

While our employee composition is diverse when it comes to nationality, age and experience, women are under-represented. We have an interest and obligation to bring more women into the company in different roles – both those who have industry experience and those who haven't.

We took further measures towards ensuring a better gender balance in 2019 by strengthening our diversity strategy. Specifically, we used our name and leading industry position to create awareness of the need for more women to work in shipping; for example, by becoming a member of the Diversity Council's CEO committee and committing to sign the 'Charter for more women in shipping' by Danish Shipping in January 2020. We looked to recruit more women, trained management in identifying and reducing bias in decisions on who to hire and promote, and worked to promote a culture in which all employees can thrive and exploit their full potential.

Management's review, continued

As testament to our commitment we will implement a new parental leave policy in January 2020, providing male employees across all onshore locations with four weeks' paid leave, supporting them in fulfilling their roles as both fathers and employees.

During the second half of 2019, our efforts led to an increase of 3% in the share of women employed in the offices. We are aiming to increase the share from 30 to 35% by the end of 2023.

We will also continue to pursue greater diversity at management level and have set a target of 35% women managers, also by the end of 2023.

At the date of signing the annual report, the Board of Directors had one female director among its five members. The company is committed to achieving a more equal gender distribution through recruitment efforts. The target is to have a 40% representation of women on the Board of Directors by the third quarter of 2023.

Expectations for 2020

The result for 2020 is expected to be higher than 2019, assuming an increase in vessels under management and an expected increase in earnings from our trading activities. This will be supported by our continuous drive to maintain low operating and administrative 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 2019 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 2019 as well as the result of the Company's operations for financial year 1 January to 31 December 2019.

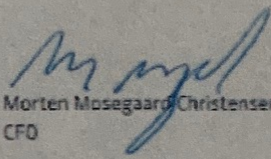
Furthermore, in our opinion the Management's review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results of the year and of the financial position of the Company and of the most significant risks and elements of uncertainty facing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

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

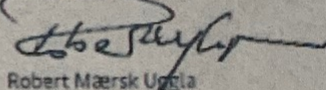
Copenhagen, 5 March 2020

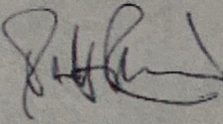
Executive Management


Christian Michael Ingerslev
CEO

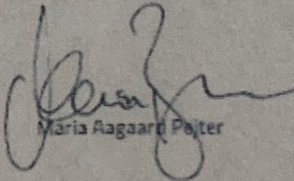

Morten Mosegaard Christensen
CFO

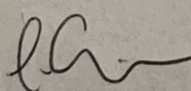
Board of Directors


Robert Mærsk Ugglø
Chairman


Paul Jonathan Reed
Vice Chairman


Martin Nørkjær Larsen


Maria Aagaard Pøtjer


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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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.

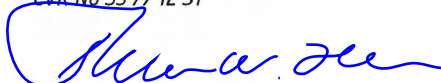
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 5 March 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

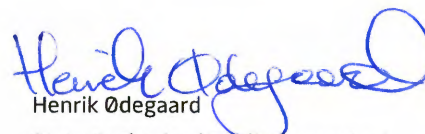
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Thomas Wraae Holm

State Authorised Public Accountant

MNE-number 30141



Henrik Ødegaard

State Authorised Public Accountant

MNE-number 31489

Amounts in USD '000

<i>Note</i>	Income statement	2019	2018
1	Revenue	419,150	300,424
2	External costs	(385,233)	(316,801)
	Profit/loss before depreciation and impairment losses	33,917	(16,377)
7, 8	Depreciation and impairment losses	(13,359)	(2,298)
	Profit/loss before financial items	20,558	(18,675)
9	Impairment/reversal of subsidiaries and associated companies	(326)	(3,195)
3	Financial income	1,938	4,209
4	Financial expenses	(2,101)	(1,765)
	Profit/loss before tax	20,069	(19,426)
5	Tax on profit for the year	(3,445)	5,005
	Profit/loss for the year	16,624	(14,421)
6	Proposal for distribution of the profit for the year		
	Proposed dividend for the financial year	17,299	0
	Retained earnings	(675)	(14,421)
	Total distribution	16,624	(14,421)

Amounts in USD '000

<i>Note</i>	Assets	2019	2018
7	Intangible assets	2,372	4,153
	Total intangible assets	2,372	4,153
8	Right-of-use assets	37,050	0
	Right-of-use assets	37,050	0
9	Investment in subsidiaries	18,358	18,495
9	Investment in associated companies	10	199
10	Deferred tax asset	2,357	5,229
	Total fixed asset investments	20,725	23,923
	Total non-current assets	60,147	28,076
	Inventories	6,255	6,952
	Trade receivables	53,208	31,032
	Receivables from affiliated companies	13,521	15,079
	Tax receivables	0	3,219
15	Derivatives	222	0
	Other receivables	6,186	1,206
	Lease receivables, current	7,391	0
	Prepayments	4,034	23,190
	Total receivables	84,562	73,726
11	Cash and bank balances	102,571	65,820
	Total current assets	193,388	146,498
	TOTAL ASSETS	253,535	174,574

Amounts in USD '000

<i>Note</i>	Equity & liabilities	2019	2018
12	Share capital	17,247	17,247
	Proposed dividend	17,299	0
	Retained earnings	14,463	14,022
	Total equity	49,009	31,269
13	Provisions	828	5,647
	Total provisions	828	5,647
14	Borrowings, non-current	19,703	0
	Other payables, non-current	630	0
	Total non-current liabilities	20,333	0
14	Borrowings, current	26,182	302
	Trade payables	86,696	61,973
	Payables to affiliated companies	35,584	34,077
	Deferred income	5,761	8,731
	Tax payables	822	0
15	Derivatives	0	2,430
	Other payables, current	28,320	30,145
	Total current liabilities	183,365	137,658
	Total liabilities	203,698	143,305
	TOTAL EQUITY & LIABILITIES	253,535	174,574
16	Contingent liabilities		
17	Related parties		
18	Accounting policies		

Amounts in USD '000

Statement of changes in Equity	Share capital	Retained earnings etc.	Proposed dividend	Total equity
Equity 1 January 2018	51,401	494,800	0	546,201
Profit/loss for the year	0	(14,421)	0	(14,421)
Cash flow hedge, net of tax	0	(899)	0	(899)
Share capital decrease	(34,154)	10,165	0	(23,989)
Extraordinary dividend	0	(475,623)	0	(475,623)
Equity as of 31 December 2018	17,247	14,022	0	31,269
Profit/loss for the year	0	(675)	17,299	16,624
Cash flow hedge, net of tax	0	733	0	733
Change in accounting policies	0	383	0	383
Equity as of 31 December 2019	17,247	14,463	17,299	49,009

Amounts in USD '000

Note

1 Revenue

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

	<u>2019</u>	<u>2018</u>
Europe	217,456	178,338
North and South America	59,797	27,976
Other regions ¹⁾	141,897	94,110
	<u>419,150</u>	<u>300,424</u>

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

2 External costs

In the accounting year an average of 152 persons (2018: 151 persons) were employed by the Company. The total staff cost for 2019:

	<u>2019</u>	<u>2018</u>
Salaries	27,082	27,678
Pensions	1,803	2,090
Other	17	1,946
	<u>28,902</u>	<u>31,714</u>

In 2019 the Executive Management has received remuneration amounting to USD 2.2 million. For 2018 the remuneration for Executive Management amounted to USD 1.5 million.

Executive Management is participating in a performance shares plan where the actual cash settlement is dependent on the development of a synthetic share price for the sister company, Maersk Product Tankers A/S. The fair value of awards granted to Executive Management was USD 1.2 million (USD 1.9 million) at the time of grant.

The board of Directors has for 2019 received fees amounting to USD 0.1 million (2018: USD 0.1 million).

3 Financial income

	<u>2019</u>	<u>2018</u>
Other financial income	1,938	4,209
	<u>1,938</u>	<u>4,209</u>

4 Financial expenses

Interest expenses from affiliated companies	0	(88)
Interest expenses from others ¹⁾	(1,259)	(195)
Other financial expenses	(842)	(1,482)
	<u>(2,101)</u>	<u>(1,765)</u>

1) Mainly interest expense relating to leases

Amounts in USD '000

Note

5 Tax on profit for the year	2019	2018
Current income tax	(744)	2,260
Prior years adjustments	171	(2,693)
Changes in deferred tax asset	(2,872)	5,270
Changes in deferred tax liabilities	0	168
	(3,445)	5,005

6 Proposed distribution of the profit for the year	2019	2018
Proposed dividend for the year	17,299	0
Retained earnings	(675)	(14,421)
Total	16,624	(14,421)

Dividends amounting to USD 17.3 million was proposed in 2019, where in 2018 the company declared an extraordinary dividend amounting to USD 475.6 million.

7 Intangible assets	2019	2018
	IT software	IT software
Cost as of 1 January	8,175	7,722
Addition during the year	607	453
Cost as of 31 December	8,782	8,175
Amortisation and impairment losses as of 1 January	(4,022)	(1,724)
Amortisation and impairment for the year	(2,388)	(2,298)
Amortisation and impairment losses as of 31 December	(6,410)	(4,022)
Carrying amount as of 31 December	2,372	4,153

8 Right-of-use assets	Land and buildings	Vessels	Total
Cost as of 31 December 2018	0	0	0
Initial application of IFRS 16	0	15,208	15,208
Addition	3,744	29,069	32,813
Total cost as of 31 December 2019	3,744	44,277	48,021
Depreciation and impairment losses as of 31 December 2018	0	0	0
Initial application of IFRS 16 - impairment	0	(3,399)	(3,399)
Depreciation for the year	(209)	(7,363)	(7,572)
Total depreciation and impairment as of 31 December 2019	(209)	(10,762)	(10,971)
Total as of 31 December 2019	3,536	33,514	37,050

Amounts in USD '000

Note

9 Investments in subsidiaries and associated companies

	2019	2018
Investments in subsidiaries		
Cost as of 1 January	127,500	642,755
Decrease in cost price due to distribution	0	(3,810)
Disposals	0	(511,445)
Cost as of 31 December	127,500	127,500
Impairments as of 1 January	109,005	116,599
Impairment of the year	137	3,195
Impairment related to disposed subsidiaries	0	(10,789)
Impairments as of 31 December	109,142	109,005
Carrying amount as of 31 December	18,358	18,495

Subsidiaries

Name	Domicile	Capital	Equity	Profit/loss	Ownership interest
Broström General Partner A/S 1)	Denmark	90	125	(1)	100%
Maersk Tankers MR General Partner A/S 1)	Denmark	90	126	(0)	100%
O.P.S.A. Operadora Portuaria S.A. 1)	Venezuela	11	(2,346)	0	100%
Maersk Tankers Holland B.V. 1)*	Holland	1,263	9,888	13	100%
Handytankers General Partner A/S 1)	Denmark	92	66	(2)	100%
Handytankers K/S 1)	Denmark	13	12	(0)	100%
Broström AB 1)	Sweden	6	573	(130)	100%
Maersk Tankers LR2 General Partners A/S 1)	Denmark	75	69	(0)	100%
Broström K/S 1)	Denmark	12	6	(0)	100%
Maersk Tankers MR K/S 1)	Denmark	12	6	(0)	100%
Maersk Tankers LR2 K/S 1)	Denmark	12	7	(0)	100%
Maersk Tankers Romania SRL 1)	Romania	5	108	97	100%
Maersk Tankers Afra KS 1)	Denmark	12	9	(0)	100%
Maersk Tankers Afra General Partner AS 1)	Denmark	72	74	(1)	100%
Maersk Tankers India Private Ltd. 1)	India	15	1,817	678	100%
Maersk Tankers US Inc. 1)	US	7,230	6,735	(145)	100%
Maersk Tankers US Personell LLC 1)**	US	0	(787)	0	100%

Investments in associated companies

	2019	2018
Cost as of 1 January	199	639
Impairment of the year	(189)	0
Reduction in cost price due to distribution	0	(440)
Cost as of 31 December	10	199

Associated companies

Name	Domicile	Capital	Equity	Profit/loss	Ownership interest
Long Range2 A/S 1)	Denmark	57	41	1	50%
LR2 Management K/S 1)	Denmark	18	35	(0)	50%

1) 2018 figures

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

** Established in 2018

Amounts in USD '000

Note

10 Deferred tax asset	2019	2018
Deferred tax as of 1 January	5,229	0
Adjustment of deferred tax asset recognised in the income statement	(2,872)	5,100
Adjustment of deferred tax asset recognised in equity	0	129
Deferred tax as of 31 December	2,357	5,229
Deferred tax is related to:	2019	2018
Intangible assets	1,161	640
Current assets	545	545
Provisions	510	952
Loss carried forward	141	3,092
Total	2,357	5,229

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.

11 Cash and bank balances

USD 28.1 million of the total liquid funds are classified as restricted funds (2018: USD 35.6 million).

12 Share capital

Share capital of nominally DKK 100 million (2018: 100 million) is divided into 100,000 shares (2018: 100,000 shares) of a nominal value of DKK 1,000 each.

13 Provisions

	2019	2018
Provisions as of 1 January	5,647	15,762
Provisions for the year	120	2,397
Provisions used/reversed during the year	(4,939)	(12,512)
Other provisions as of 31 December	828	5,647
Maturities for provisions are expected to be:	2019	2018
Within a year	100	3,972
Between one and five years	728	1,675
	828	5,647

Provisions relate to unsettled claims and legal disputes.

Note

14 Borrowings

	Other	Land and buildings	Vessels	Total
Non-current liabilities, presented in "Borrowings, non-current"	0	2,296	17,407	19,703
Current liabilities, presented in "Borrowings, current"	302	597	25,283	26,182
	302	2,893	42,690	45,885

15 Derivatives

The company is exposed to currency risk mainly from changes in DKK and SGD. As per 31 December 2019 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 2019 was 52% of the expected cost incurred within 12 months from the balance sheet date (53% in 2018). 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 2019 the derivatives on bunker and forward freight agreements had a positive fair value of USD 0.7 million (negative USD 1.7 million in 2018) and negative fair value of USD 0.3 million (positive USD 0.4 million in 2018) respectively.

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

16 Contingent liabilities

Maersk Tankers A/S is involved in commercial claims and disputes, which are subject to considerable uncertainty. The commercial claims and disputes do not involve significant amounts.

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 leasing contracts with a duration less than one year totaling USD 13 million (December 31, 2018: USD 80 million). Following IFRS 16, lease obligations with longer contractual dates than one year are recognised as lease liabilities.

17 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.

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

*Note***17 Related parties, continued**

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 above mentioned 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,

18 Accounting policies

The Annual Report for 2019 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, with the exception of IFRS 16 'Leases', as described below and consequently also IFRS 15 'Revenue recognition'.

IFRS 16 'Leases'

IFRS 16 'Leases' was implemented as of 1 January 2019 applying the modified retrospective approach under which comparative figures are not to be adjusted in the financial statements. The adoption of IFRS 16 and IFRS 15 did not have a material impact on the financial results of the company. Lease payments are allocated between a reduction of the liability and interest expense. The right-of-use asset is depreciated over the lease term on a straight-line basis.

The implementation of IFRS 16 in the company resulted in a positive equity adjustment as of 1 January 2019 of USD 383 thousand in retained earnings.

Certain lease costs are generally excluded from the lease liability recognised and, in implementing IFRS 16, certain practical expedients have been applied:

- Leases with a lease term of less than 12 months and leases of assets of low value are excluded from the lease liability recognised and are instead expensed on a straight-line basis over the lease term. In addition, leases with a remaining term of less than 12 months at 1 January 2019 were excluded upon adoption.
- Service components included in lease costs are not recognised as part of the lease liability. Such costs are recognised in the income statement as incurred.
- The definition of a lease under IAS 17 and IFRIC 4 has been retained and contracts not previously determined to contain a lease have not been reassessed.
- Initial direct costs are excluded from the measurement of the right-of-use assets at the date of the initial application.
- Distinct incremental borrowing rates are applied to major leases whereas a single discount rate have been applied for the remaining lease contracts.

The weighted average incremental borrowing rate applied was 4.1%.

Note

18 Accounting policies, continued

Transition impact

USD Million

Operating lease obligations at 31 December 2018	76,255
Service components	(22,285)
Low-value assets and short-term contracts	(18,817)
Undiscounted lease liabilities	35,153
Discounting effect	(1,416)
Lease liability at 1 January 2019	33,737

Maersk Tankers did not have any material financial leases under IAS 17.

Contracts under which Maersk Tankers is the lessor

IFRS 16 does not introduce material changes from a lessor perspective, and no changes in the composition of the balance sheet from the adoption of IFRS 16 deriving from current contracts with costumers have been identified.

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 2019, the exchange rate DKK/USD was 665.11 (2018: 652.11).

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 recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which Maersk Tankers expects to be entitled in exchange for the services. Revenue from ongoing voyages at the balance sheet date is recognised following the "load to discharge" method, where freight income and related expenses are recognised in the income statement from the first load date of the voyage to the discharge date of the cargo. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred.

Lease income from operating leases is recognised over the lease term. Demurrage claims are recognised if they are considered probable.

*Note***18 Accounting policies, continued**

The majority of the company's leased vessels participate in commercial pools (Maersk Tankers-Afra Pool, Maersk Tankers-Handytankers Pool, Maersk Tankers-Intermediate Pool, Maersk Tankers-LR2 Pool, Maersk Tankers- MR pool) in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers.

The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognised when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

External costs

External costs include costs for staff, costs for premises, costs for lease of vessels on contract with a duration less than one year, 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.

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.

Right-of-use assets

Lease contracts are capitalised using an incremental borrowing rate and recognised in the balance sheet as right-of-use assets and corresponding lease liabilities. The right-of-use assets are depreciated over the lease term. Lease payments made are split into an interest element presented under financial expenses and amortisation of the lease liability. Lease contracts with a term shorter than 12 months or for which the underlying asset are of low value are not capitalised but expensed straight-line over the lease term.

*Note***18 Accounting policies, continued****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 derivatives" (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.

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.

Note

18 Accounting policies, continued

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

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