
Svitzer Towage A/S

c/o Svitzer A/S, Pakhus 48, Sundkaj 153, DK-2150
Nordhavn

Annual Report for 1 January - 31 December 2019

CVR No 29 53 72 16

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
29 May 2020

Knud Winkler
Chairman

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Five Year Summary

	2019	2018	2017	2016	2015
	AUD ('000)	AUD ('000)	AUD ('000)	AUD ('000)	AUD ('000)
Profit/loss before financial items (EBIT)	20,797	21,360	17,669	9,816	3,009
Financial income and financial expenses	9,415	-5,390	35	744	9,990
Profit/loss before tax	30,212	15,970	17,704	10,560	12,999
Tax	-1,946	-27,226	15,773	5,281	10,957
Profit/loss for the year	28,266	-11,256	33,477	15,841	23,956
Total assets	436,558	515,180	247,175	205,694	198,451
Total equity	421,669	393,403	232,737	199,102	181,631
Investments in tangible fixed assets	-19	-19	-23,478	-58,335	-105,129
Profit (EBIT) margin	66.2%	68.1%	67.9%	66.6%	73.0%
Return on equity after tax	6.9%	-3.6%	15.5%	8.3%	16.9%
Equity ratio	96.6%	76.4%	94.2%	96.8%	91.5%

Directors' Report

Svitzer Group is the leading towage operator with activities within both Harbour and Terminal towage and with a fleet of 345 vessels (2018: 365) in more than 100 ports across 32 countries. Svitzer's customers are ship owners and operators within all shipping segments as well as national and international Oil & Gas companies.

Svitzer Towage A/S is a 100% owned subsidiary of the Svitzer Group's parent company, Svitzer A/S, and its activities mainly relate to ownership and chartering of vessels in Australia through an Australian branch, and the provision of loans to the Australian operations.

2019 in review

The increase in profit in 2019 was due to financial income generated from chartering of vessels to Svitzer Group's Australian operations.

Sustainability

The lost time incidents frequency ('LTIF') for 2019 was 1.1 per one million exposure hours which is an increase compared to 0.8 for 2018. There is a recognition in Svitzer that the effect of the actions taken in prior years to improve safety have produced significant benefits, however the improvement has now plateaued in recent years. In order to revitalise the safety culture, a new initiative has been launched called Safety Differently, which is expected to realise benefits in future years.

Corporate social responsibility

Please refer to the separate Sustainability Report 2019 of the parent company A.P. Møller – Mærsk A/S on the website: www.maersk.com/business/sustainability.

Diversity

The Board believes that its members should be elected on the basis of their combined qualifications and at the same time recognise the advantages of a Board comprising a wide range of backgrounds such as global experience, style, culture and gender.

As of 31 December 2019, there is one woman among the three board members appointed at the general meeting. Consequently, the Company's board is considered to have a diverse representation of genders among the Company's shareholder-appointed board members.

A.P. Møller - Mærsk A/S has adopted a group policy for the complete group with the aim to increase the share of the under-represented gender on the company's other management levels. In accordance with this policy the Company has taken steps to look into how the Company can attract qualified women to relevant management positions. In addition, this is a focus area when identifying candidates to key positions. A description of the policy and reporting on the gender composition can be found in A.P. Møller - Mærsk A/S' sustainability report on the website: www.maersk.com/business/sustainability.

Directors' Report (continued)

Environment

In 2019, the primary measure for CO₂ emissions (fuel consumption) were down to index 98.6 (2018: 100) despite a slight increase in activity (index 2019: 102.9 compared to 2018: 100). Environmental efficiency is one of the core operational elements and is measured on an annual basis.

Expectations for 2020

The Company's outlook for the future will be affected by the COVID-19 outbreak and the measures taken by governments in most of the world to mitigate the impacts of the outbreak, see also subsequent events disclosures in note 10.

Management is currently not able to reliably estimate the effect of COVID-19 on the expected revenue and net profit of the Company. Consequently, Management finds itself unable to reliably disclose its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

Risks

Under normal conditions, changes to the operating environment in Australia represent the most significant risks to Svitzer Towage A/S' performance. Increased competition and cost increases in the Australian operations are the most likely to impact Svitzer Towage A/S' performance.

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the annual report of Svitzer Towage A/S ('the Company') for the financial year 1 January - 31 December 2019.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report gives a true and fair view of the assets and liabilities, financial position at 31 December 2019 of the Company and of the results of the Company's operations for 2019.

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

Copenhagen, 29 May 2020

Executive Board

Laavanya Paripurapavan

Board of Directors

Knud Winkler
Chairman

Laavanya Paripurapavan

David Paul Phillips

Independent Auditor's Report on the Financial Statements

To the Shareholder of Svitzer Towage 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 Svitzer Towage A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, accounting policies and notes ('Financial Statements').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Independent Auditor's Report on the Financial Statements

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, 29 May 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Claus Carlsson
State Authorised Public Accountant
mne29461

Company Information

The Company

Svitzer Towage A/S
c/o Svitzer A/S
Pakhus 48, Sundkaj 153
DK-2150 Nordhavn

Telephone: 39 19 39 19

CVR No: 29 53 72 16

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Main activity

The purpose of the company is to operate in the salvage-, diving-, towing-, pump-out businesses, and in similar activities with the company's own or chartered vessels.

Board of Directors

Knud Winkler, Chairman
Laavanya Paripurapavan
David Paul Phillips

Executive Board

Laavanya Paripurapavan

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> AUD ('000)	<u>2018</u> AUD ('000)
Gross profit/loss		30,316	30,970
Staff costs	2	-457	-400
Depreciation, amortisation and impairment of property, plant and equipment		<u>-9,062</u>	<u>-9,210</u>
Profit/loss before financial income and expenses		20,797	21,360
Financial income	3	19,886	9,487
Financial expenses	4	<u>-10,471</u>	<u>-14,877</u>
Profit/loss before tax		30,212	15,970
Tax on profit/loss for the year	5	<u>-1,946</u>	<u>-27,226</u>
Net profit/loss for the year		<u>28,266</u>	<u>-11,256</u>

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	-	-
Retained earnings	<u>28,266</u>	<u>-11,256</u>
	<u>28,266</u>	<u>-11,256</u>

Balance Sheet 31 December

Assets

	Note	<u>2019</u> AUD ('000)	<u>2018</u> AUD ('000)
Ships		<u>161,299</u>	<u>170,341</u>
Property, plant and equipment	6	<u>161,299</u>	<u>170,341</u>
Receivables from group enterprises		<u>169,318</u>	<u>132,563</u>
Total financial non-current assets		<u>169,318</u>	<u>132,563</u>
Total non-current assets		<u>330,617</u>	<u>302,904</u>
Receivables from group enterprises		64,107	109,402
Other receivables		2,625	61,962
Deferred tax asset		<u>39,209</u>	<u>40,912</u>
Receivables		<u>105,941</u>	<u>212,276</u>
Currents assets		<u>105,941</u>	<u>212,276</u>
Assets		<u>436,558</u>	<u>515,180</u>

Balance Sheet 31 December

Liabilities and equity

	Note	<u>2019</u> AUD ('000)	<u>2018</u> AUD ('000)
Share capital	7	12,097	12,097
Retained earnings		<u>409,572</u>	<u>381,306</u>
Equity		<u>421,669</u>	<u>393,403</u>
Trade payables		35	19
Payables to group enterprises		14,765	23,052
Other payables		<u>89</u>	<u>98,706</u>
Short-term liabilities		<u>14,889</u>	<u>121,777</u>
Liabilities		<u>14,889</u>	<u>121,777</u>
Liabilities and equity		<u>436,558</u>	<u>515,180</u>
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Related parties and ownership	9		
Subsequent events	10		
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Statement of Changes in Equity

	<u>Share capital</u> AUD ('000)	<u>Retained earnings</u> AUD ('000)	<u>Total equity</u> AUD ('000)
Equity 1 January 2019	12,097	381,306	393,403
Capital increase	-	-	-
Profit/loss for the year	-	28,266	28,266
Equity 31 December 2019	12,097	409,572	421,669

	<u>Share capital</u> AUD ('000)	<u>Retained earnings</u> AUD ('000)	<u>Total equity</u> AUD ('000)
Equity 1 January 2018	12,097	220,640	232,737
Capital increase	-	171,922	171,922
Profit/loss for the year	-	-11,256	-11,256
Equity 31 December 2018	12,097	381,306	393,403

Notes to the Financial Statements

1 Main activities of the company

The purpose of the company is to operate in the towing and pump-out businesses and in similar activities with the company's own or chartered vessels and to provide loans to the Australian operations.

	<u>2019</u> AUD ('000)	<u>2018</u> AUD ('000)
2 Staff costs		
Salaries	400	346
Pension costs	35	32
Other social security expenses	<u>22</u>	<u>22</u>
	<u>457</u>	<u>400</u>
Average number of employees	<u>2</u>	<u>2</u>

3 Financial income

Interest received from group enterprises	7,429	3,581
Other financial income	4,285	-
Exchange rate adjustments	<u>8,172</u>	<u>5,906</u>
	<u>19,886</u>	<u>9,487</u>

4 Financial expenses

Interest paid to group enterprises	2,289	9,002
Exchange rate adjustments	<u>8,182</u>	<u>5,875</u>
	<u>10,471</u>	<u>14,877</u>

5 Tax on profit/loss for the year

Current tax for the year and prior years	-242	-35,317
Deferred tax for the year	<u>-1,704</u>	<u>8,091</u>
	<u>-1,946</u>	<u>- 27,226</u>

Notes to the Financial Statements

6 Property, plant and equipment

	<u>Ships</u> AUD ('000)	<u>Total</u> AUD ('000)
Cost at 1 January	192,355	192,355
Additions for the year	<u>19</u>	<u>19</u>
Cost at 31 December	<u>192,374</u>	<u>192,374</u>
Impairment losses and depreciation at 1 January	22,014	22,014
Depreciation for the year	<u>9,062</u>	<u>9,062</u>
Impairment losses and depreciation at 31 December	<u>31,076</u>	<u>31,076</u>
Carrying amount at 31 December	<u>161,299</u>	<u>161,299</u>

Notes to the Financial Statements

7 Share capital

The share capital comprises two shares, one A share at the amount of nominal DKK 53,781,750 (common share) and one B share at the amount of nominal DKK 543,250 (preference share). Restrictions apply regarding rights to receive dividends between the two share classes. Each share amount of DKK 1,000 represents one vote, however certain changes to the Articles of Association require consensus by both share classes. The total share capital has remained unchanged for the last five years.

The fully issued and paid share capital, DKK 54,325,000 had been translated to AUD 12,096,955 using the registration date exchange rate of DKK 4.490 to 1 AUD (as per April 2006).

8 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the A.P. Moller – Maersk Group and for the Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax.

9 Related parties and ownership

Svitzer A/S has the controlling interest and holds 100% of the A shares.

All Svitzer Group companies, A.P. Moller – Maersk Group companies and the ultimate parent company, A.P. Moller Holding A/S, are considered related parties.

The financial statements of the company are included in both the consolidated financial statements of A.P. Moller – Maersk A/S and A.P. Moller Holding A/S, which are available at the companies' registered office address, Esplanaden 50, DK-1098 Copenhagen K. Further, the consolidated financial statements of A.P. Moller – Maersk A/S can be downloaded from the website www.maersk.com.

10 Subsequent events

The implications of COVID-19 with many governments across the world deciding to "close down their countries" will have great impact on the global economy. Management considers the implications of COVID-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company.

At this time, it is not possible to calculate the size of the negative COVID-19 impact.

Notes to the Financial Statements

11 Accounting policies

Basis of preparation

The financial statements of Svitzer Towage A/S for 2019 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial statements for 2019 are presented in AUD. Exchange rate applied 31 December 2019 is 4.67 (31 December 2018: 4.61).

Cash flow statement

With reference to section 86 par. 4 of the Danish Financial Statements Act, the Company does not prepare a cash flow statement as the Company is included in the consolidated cash flow statement of A.P. Moller - Maersk Group.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

Accounting policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income statement

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the annual report.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments and adjustments of investments.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the Danish entities within the A.P. Møller - Maersk Group as well as A. P. Møller Holding A/S. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Notes to the Financial Statements

Accounting policies (continued)

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Ships	20-25 years
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Receivables

Receivables and receivables from group enterprises are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Notes to the Financial Statements

Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as 'Other receivables' and 'Other Payables' respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualifies as hedge accounting.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognized in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payment and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value

Key figures

Profit (EBIT) margin:	$\frac{\text{Profit before financial items}}{\text{Revenue}}$
Return on equity after tax:	$\frac{\text{Profit/loss for the year}}{\text{Average equity}}$
Equity ratio:	$\frac{\text{Equity}}{\text{Total assets}}$

