Maersk Supply Service A/S

Esplanaden 50, DK-1098 Copenhagen K

Company reg. no. 31 41 43 77

Annual report

1 January - 31 December 2016

The Annual Report have been submitted and approved by the General Meeting on the 30 March 2017.

Ida Marie Schydt
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance USD 146.940 means the amount of USD 146,940, and that 23,5 % means 23.5 %.

Management's Report

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Maersk Supply Service A/S for the financial year 1 January - 31 December 2016.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 30 March 2017

Executive Board

Steen Strøm Karstensen

Board of Directors

Claus Michael Valentin Hemmingsen Chairman	Graham Stuart Talbot	Christian Kledal

The Independent Auditor's Reports

To the shareholder of Maersk Supply Service A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk Supply Service A/S for the financial year 1 January - 31 December 2016, 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.

Hellerup, 30 March 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Gert Fisker Tomczyk	Thomas Wraae Holm
State Authorised Public Accountant	State Authorised Public Accountant

Company Data

The Company	Maersk Supply Service A/S Esplanaden 50 DK-1098 Copenhagen K
	Company reg. no. 31 41 43 77 Financial year: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Claus Michael Valentin Hemmingsen, Chairman Graham Stuart Talbot Christian Kledal
Executive Board	Steen Strøm Karstensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Subsidiaries	Maersk Supply Service International A/S, Denmark Maersk Supply Service West Africa A/S, Denmark Maersk Supply Service Nigeria A/S, Denmark Maersk Supply Service Brazil Holdings A/S, Denmark Maersk Supply Service Congo SA, Congo Maersk Supply Service Canada Ltd., Canada Maersk Supply Service UK Limited, United Kingdom Maersk Supply Service Subsea UK Limited, United Kingdom Maersk Supply Service France SAS, France Maersk Supply Service Singapore Pte. Ltd., Singapore Maersk Crewing Australia Pty Ltd., Australia Maersk Supply Service (Angola) S.A, Angola Maersk Supply Service Apoio Maritimo Ltda., Brazil

Financial Highlights

USD in millions.	2016	2015	2014	2013	2012
Profit/loss:					
Revenue	230	421	584	494	423
Gross results	45	419	268	262	172
Operating profit	-1.099	78	143	131	64
Profit/loss before financial income and expenses	-1.112	301	150	158	76
Results for the year	-1.114	292	393	133	46
Balance sheet:					
Balance sheet sum	960	1.992	1.979	1.867	1.759
Investments in tangible fixed assets represent	-118	-185	-156	-211	-174
Equity	313	1.283	1.053	738	560
Key figures in %:					
Gross margin	19,6	99,5	45,9	53,0	40,7
Profit margin	-472,3	71,5	25,7	32,0	18,0
Return on assets	-168,7	15,1	7,6	8,5	4,3
Solvency ratio	32,6	64,4	53,2	39,5	31,8
Return on equity	-139,6	25,0	43,9	20,5	8,6

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and have been calculated as follow:

Gross margin $$\frac{\text{Gross results x 100}}{\text{Revenue}}$$

Profit margin $$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$$

Solvency ratio $$\frac{\text{Equity, closing balance x 100}}{\text{Assets in total, closing balance}}$$

Return on equity $$\frac{\text{Results for the year x 100}}{\text{Average equity}}$$

The principal activities of the Company

Maersk Supply Service A/S is a 100% owned subsidiary of A.P. Møller - Mærsk A/S providing global services to the offshore industry including anchor handling, towage of drilling rigs and platforms, as well as supply vessel operation.

As of 31 December 2016, the Company's fleet comprises 29 vessels.

Development in activities and financial matters

The Income Statement of the Company for 2016 shows a loss of USD '000 -1.113.636, and at 31 December 2016 the balance sheet of the Company shows equity an of USD '000 312.895.

The result for 2016 amounted to USD -1.114 million compared to USD 292 million in 2015. The result for 2015 included sales gains of USD 215 million and the result for 2016 included impairment write downs and provision for loss making CAPEX contracts amounting to USD 1.052 million. The result was significantly worse than expected due to the declining market resulting in a number of vessels being either scrapped or laid up. To protect our cost base a significant number of employees were made redundant both in the offshore- and onshore staff groups.

Investments:
The Company has newbuilding contracts for ten vessels (six anchor handling tug supply vessels and four subsea support vessels). The contracts were entered into in 2014 and the vessels will be delivered during 2017.

The expected development

The markets we operate in are under severe pressure with activities dropping to historical low activity levels as a result of the lower oil price. As a response to the development, we have initiated further cost cutting initiatives and late 2016 we launched a new business area called "Integrated Solutions" which is expected to grow over the coming years. Driven by the significant market decline, a result (adjusted for impairment write down) lower than that of 2016 is expected in 2017.

Special risks

There is no significant dependency on particular customers or suppliers. The Company has no significant credit risks. The main risks to the Group's performance and strategy execution relate to future operational performance. Impairment indicators in Maersk Supply Service are lower day rates on new contracts and a decline in fair values of vessels, which in most cases have dropped below carrying amount.

The fair value estimates are highly uncertain due to the nature of the assets and few transactions. The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables. The day rates in the short to medium term are expected to remain low. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term. Due to the uncertain prospects for off-contract vessels, and limited headroom in the deepwater segment, further impairment write downs may be recognised in the coming years, if the market decline continues for a longer period.

Foreign exchange risks:
The Company's income is mainly in USD, whereas expenditure is spread across several currencies. Due to net earnings in USD, this currency is also the Company's primary financing currency. Based on specific assessment, the Company uses financial instruments to reduce the impact of exchange rate fluctuations.

Safety and external environment

The objective of the safety efforts is to avoid accidents. In 2016 we unfortunately saw an increase in LTI (Lost Time Incidents) from 1 to 6. We are constantly working to promote even higher safety standards among all employees and suppliers. In December 2016 we lost two of our own vessels while being towed for scrapping in Turkey. The vessels were unmanned.

The environment is a high priority area for the Company. The Company's line of business is energy demanding which implies responsibility for active participation in finding solutions to reduce the impact on the environment. In close cooperation with the customers, the Company aims at making its business activity as energy efficient as possible through innovation within technology as well as processes and operations.

Statement of corporate social responsibility and share of underrepresented gender cf. section 99a and 99b of the Danish Financial Statements Act

Reference is made to the parent company A.P. Møller - Mærsk A/S' separate sustainability report on the website:

http://www.maersk.com/~/media/the%20maersk%20group/sustainability/files/publications/2016/files/maersk_group_sustainability_report_2015_a3_final.pdf

In April 2013 the Board adopted targets for the diversity of the company's shareholder-appointed board members with respect to the under-represented gender.

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

On the basis of this ambition the Board has defined a target to increase the share of the underrepresented gender on the Board to account for at least 25% of the shareholder-appointed board members.

As of 31 December 2016, none of the shareholder-appointed board members are women.

Uncertainties as to recognition or measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty apart from the above mentioned relating to impairment write downs which are based on a number of assumptions and estimates.

Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events apart from the impact from the impairment write downs as described above and by the rapid decline in activity.

Events subsequent to the financial year

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

USD in thousands.

Note		2016	2015
2	Revenue	230.019	421.199
	Other operating income/expenses	-12.604	223.293
3	Other external expenses	-172.321	-225.704
	Gross results	**45.094**	**418.788**
4	Depreciation, amortisation and impairment of intangible assets and vessels, plant and equipment	-1.156.748	-117.660
	Profit/loss before financial income and expenses	**-1.111.654**	**301.128**
5	Other financial income	13.985	6.064
6	Other financial expenses	-20.108	-13.281
	Profit/loss before tax	**-1.117.777**	**293.911**
7	Tax on profit/loss for the year	4.141	-2.384
8	**Results for the year**	**-1.113.636**	**291.527**

Balance Sheet 31 December

USD in thousands.

Note	Assets	2016	2015
	Fixed assets		
9	Software	5.443	17.696
	Intangible fixed assets in total	5.443	17.696
10	Plant and equipment	196	196
11	Vessels	451.624	1.154.157
12	Prepayments for vessels, plant and equipment	107.675	272.148
	Tangible fixed assets in total	559.495	1.426.501
13	Investments in subsidiaries	252.134	151.773
	Financial fixed assets in total	252.134	151.773
	Fixed assets in total	**817.072**	**1.595.970**
	Current assets		
	Raw materials and consumables	5.023	5.843
	Finished goods and goods for resale	2.536	4.048
	Inventories in total	7.559	9.891
	Trade receivables	35.182	65.135
	Receivables from group enterprises	70.892	300.247
	Corporation tax	4.979	5.457
	Other receivables	24.614	15.254
	Debtors in total	135.667	386.093
	Available funds	43	0
	Current assets in total	**143.269**	**395.984**
	Assets in total	**960.341**	**1.991.954**

Balance Sheet 31 December

USD in thousands.

Note	Equity and liabilities	2016	2015
	Equity		
14	Share capital	100.000	100.000
	Retained earnings	212.895	1.182.849
	Equity in total	**312.895**	**1.282.849**
	Provisions		
15	Other provisions	251.139	35.566
	Provisions in total	**251.139**	**35.566**
	Liabilities		
16	Credit institutions	156.974	198.190
17	Other payables	44.462	144.935
	Long-term liabilities in total	201.436	343.125
	Credit institutions	42.649	169.616
	Trade payables	14.155	30.310
	Payables to group enterprises	46.730	69.902
	Corporation tax	361	1.241
	Other payables	90.976	59.345
	Short-term liabilities in total	194.871	330.414
	Liabilities in total	**396.307**	**673.539**
	Equity and liabilities in total	**960.341**	**1.991.954**

1 Special items

18 Contingencies

19 Financial instruments

20 Related parties

Statement of Changes in Equity

USD in thousands.

	Share capital	Retained earnings	In total
Equity 1 January 2016	100.000	1.182.849	1.282.849
Profit or loss for the year brought forward	0	-1.113.636	-1.113.636
Fair value adjustment of hedging instruments, end of year	0	143.682	143.682
	100.000	**212.895**	**312.895**

Notes

USD in thousands.

1. Special items

Special items include significant impairment on software amounting to USD '000 10.955 and impairment on vessels amounting to USD '000 1.040.892.

The fair value estimates are highly uncertain due to the nature of the assets and few transactions. The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables. The day rates in the short to medium term are expected to remain low. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term. Due to the uncertain prospects for off-contract vessels, and limited headroom in the deepwater segment, further impairment write downs may be recognised in the coming years, if the market decline continues for a longer period.

	2016	2015
2. Revenue		
Geographical segments		
Revenue, exports	230.019	421.199
	230.019	**421.199**
Business segments		
Europe	80.745	59.711
North and South America	110.191	192.338
Africa	17.798	88.293
Other Regions*	21.285	80.857
	230.019	**421.199**

* Includes primarily Australia, the Middel East and Singapore.

Notes

USD in thousands.

		2016	2015
3.	**Staff expenses**		
	Average number of employees	902	1.197

The Company has no directly employed persons, as all the employees working with the Company's activities are employed by Rederiet A. P. Møller A/S or other affiliates. In the accounting year, an average of 902 persons (2015: 1,197 persons) were engaged in the Company's activities.

The total payroll cost was USD 84 million (2015: USD 94 million).

Persuant to section 98(b)(3) of the Danish Financial Statements Act, remuneration to Management has not been disclosed.

No emoluments have been paid to the Board of Directors.

		2016	2015
4.	**Depreciation, amortisation and impairment of intangible assets and vessels, plant and equipment**		
	Amortisation of software	3.727	2.184
	Impairment of software	10.955	0
	Depreciation on vessels, plant and equipment	101.174	115.476
	Impairment on vessels and provision for loss making CAPEX contracts	1.040.892	0
		1.156.748	**117.660**

		2016	2015
5.	**Other financial income**		
	Interest received from group enterprises	510	659
	Exchange gains	11.268	5.403
	Other financial income	2.207	2
		13.985	**6.064**

Notes

USD in thousands.

		2016	2015
6.	**Other financial expenses**		
	Financial expenses, group enterprises	1.859	2.672
	Exchange loss	17.456	5.657
	Other financial expenses	793	4.952
		20.108	**13.281**
7.	**Tax on profit/loss for the year**		
	Current tax for the year	1.462	8.998
	Adjustment of tax for previous years	-5.603	-6.614
		-4.141	**2.384**
8.	**Proposed distribution of the results**		
	Disposed to retained earnings	0	291.527
	Disposed from retained earnings	-1.113.636	0
	Distribution in total	**-1.113.636**	**291.527**
9.	**Software**		
	Cost 1 January 2016	19.880	7.313
	Additions during the year	2.430	12.567
	Cost 31 December 2016	**22.310**	**19.880**
	Amortisation and impairment 1 January 2016	-2.184	0
	Amortisation for the year	-3.728	-2.184
	Impairment for the year	-10.955	0
	Amortisation and impairment losses 31 December 2016	**-16.867**	**-2.184**
	Book value 31 December 2016	**5.443**	**17.696**

Notes

USD in thousands.

		31/12 2016	31/12 2015
10.	**Plant and equipment**		
	Cost 1 January 2016	1.965	1.965
	Cost 31 December 2016	**1.965**	**1.965**
	Depreciation and impairment losses 1 January 2016	-1.769	-1.736
	Depreciation for the year	0	-33
	Depreciation and impairment losses 31 December 2016	**-1.769**	**-1.769**
	Book value 31 December 2016	**196**	**196**

		31/12 2016	31/12 2015
11.	**Vessels**		
	Cost 1 January 2016	2.224.250	2.030.888
	Translation by use of the exchange rate valid on balance sheet date 31 December 2016	0	269.135
	Additions during the year	0	24.441
	Disposals during the year	-552.254	-108.440
	Transfers	99.261	8.226
	Cost 31 December 2016	**1.771.257**	**2.224.250**
	Depreciation and impairment losses 1 January 2016	-1.070.093	-774.900
	Exchange adjustment 31 December 2016	0	-269.135
	Depreciation for the year	-101.174	-115.443
	Impairment for the year	-548.910	0
	Reversal of impairment and depreciation of sold assets	400.544	89.385
	Depreciation and impairment losses 31 December 2016	**-1.319.633**	**-1.070.093**
	Book value 31 December 2016	**451.624**	**1.154.157**

The impairment relates to write-down on the net book value of the vessels driven by the declining market and reduced activity.

Notes

USD in thousands.

		31/12 2016	31/12 2015
12.	**Prepayments for vessels, plant and equipment**		
	Cost 1 January 2016	272.148	119.756
	Additions during the year	118.137	160.618
	Transfers	-99.261	-8.226
	Cost 31 December 2016	**291.024**	**272.148**
	Impairment for the year	-183.349	0
	Depreciation and impairment losses 31 December 2016	**-183.349**	**0**
	Book value 31 December 2016	**107.675**	**272.148**

Notes

USD in thousands.

		31/12 2016	31/12 2015
13.	**Investments in subsidiaries**		
	Cost 1 January 2016	151.773	237.239
	Additions during the year	100.361	0
	Disposals during the year	0	-85.466
	Cost 31 December 2016	**252.134**	**151.773**
	Book value 31 December 2016	**252.134**	**151.773**

The financial highlights for the subsidiaries according to the latest approved annual reports

USD in thousands	**Share of ownership**	**Equity**	**Results for the year**
Maersk Supply Service International A/S, Denmark**	100 %	180.723	-12
Maersk Supply Service West Africa A/S, Denmark**	100 %	71.777	-27.642
Maersk Supply Service Nigeria A/S, Denmark**	100 %	10.214	137
Maersk Supply Service Brazil Holdings A/S, Denmark**	100 %	841	-4
Maersk Supply Service Congo SA, Congo*	100 %	-2.066	-853
Maersk Supply Service Canada Ltd., Canada*	100 %	102.794	2.130
Maersk Supply Service UK Limited, United Kingdom*	100 %	47.765	161
Maersk Supply Service Subsea UK Limited, United Kingdom	100 %	40.000	0
Maersk Supply Service France SAS, France*	100 %	171	-324
Maersk Supply Service Singapore Pte. Ltd., Singapore*	100 %	0	0
Maersk Crewing Australia Pty Ltd., Australia*	100 %	155	-4
Maersk Supply Service (Angola) S.A, Angola*	49 %	-741	-139
Maersk Supply Service Apoio Maritimo Ltda., Brazil*	100 %	1.029	-10.537

* Annual Report 2015 (converted from local currencry to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2015, and the profit is calculated using the average exchange rate for 2015)

** Annual Report 2016 (converted from local currency to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2016, and the profit is calculated using the average exchange rate for 2016)

USD in thousands.

	31/12 2016	31/12 2015

14. Share capital

The share capital consists of 507,531 shares of a nominal value of TDKK 1. No shares carry any special rights.

15. Other provisions

	31/12 2016	31/12 2015
Other provisions	251.139	35.566
	251.139	**35.566**

Other provisions compromising litigations, provisions to onerous new-building contracts etc., including disputes on taxes and duties. Other provisions of USD 9,9 million are expected to mature within one year and the remaining within 2-5 years. Provisions are recognised based on specific estimates and amounts may vary, as these are uncertain. Includes USD 220 million in provision regarding loss making CAPEX contracts.

16. Credit institutions

	31/12 2016	31/12 2015
Credit institutions in total	199.623	367.806
Share of amount due within 1 year	-42.649	-169.616
	156.974	**198.190**
Share of liabilities due after 5 years	16.734	33.949

17. Other payables

	31/12 2016	31/12 2015
Other payables in total	135.438	204.280
Share of amount due within 1 year	-90.976	-59.345
Other payables in total	**44.462**	**144.935**
Share of liabilities due after 5 years	0	0

USD in thousands.

18. Contingencies

Contingent liabilities

Security

Security in vessels at the amount of USD 200 million (31 December 2015 USD 265 million). The carrying amount of the vessels provided as security is USD million 352 (31 december 2015 USD 425 million).

Contractual obligations

As of 31 December 2016, the company has outstanding commitments of USD 919 million related to vessels contracted (31 December 2015 USD 1,051 million).

Joint taxation

The Company is subject to the tonnage tax scheme. The Company is not subject to deferred tax. However, tax may become payable on the sale of vessels or on withdrawal from the tonnage tax scheme.

The Company is part of a national joint taxation in Denmark with A. P. Møller Holding A/S, and is jointly liable with other Danish companies within the A. P. Møller - Maersk Group for corporate- and withholding tax to Denmark.

There are no other security and contingent liabilitites at 31 December 2016.

19. Financial instruments

Forward exchange contracts

The forward exchange contracts have been concluded to hedge future purchases of vessels in NOK. The fair value of the forward exchange contracts amounts to a loss of USD '000 88.547 at the balance sheet date. The expected purchases of vessels have been hedged corresponding to an amount of USD 525 million. The maturity of the hedging instruments coincides, as closely as possible with the expected payments dates in NOK.

Interest swap

The company has to a limited extent entered into interest swap agreements.

Notes

USD in thousands.

20. Related parties

Controlling interest

A. P. Møller - Mærsk A/S Esplanaden 50 DK-1098 Copenhagen K Denmark	Majority shareholder

Other related parties

Companies affiliated with A. P. Møller - Mærsk A/S.

The Company's related parties include the members of the Board of Directors, 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

The vessels Maersk Tracer and Maersk Trader were transferred to Maersk Supply Service West Africa A/S during 2016 as a capital injection from Maersk Supply Service A/S.

Furthermore, the vessel Maersk Handler was transferred from Maersk Supply Service A/S to Maersk Supply Service UK Ltd. as a capital injection. The vessel Maersk Achiever was transferred from Maersk Supply Service A/S to Maersk Supply Service Subsea Ltd.

Consolidated Annual Accounts

The Company is included in the Consolidated Annual Accounts of A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K and A.P. Møller Holding A/S, Esplanaden 50, 1098 Copenhagen K.

Accounting Policies used

The Annual Report for Maersk Supply Service A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (large enterprises).

The Accounting Policies used are unchanged compared to last year, and the Annual Accounts are presented in American dollars (USD).

No Consolidated Annual Accounts have been prepared, cf. section 112(1) of the Danish Financial Statements Act. The Annual Accounts of Maersk Supply Service A/S and its group enterprises are included in the Consolidated Annual Accounts for A. P. Møller - Mærsk A/S, Denmark, CVR nr. 22756214.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the Consolidated Annual Accounts of A. P. Møller - Mærsk A/S.

Pursuant to section 96(3) of the Danish Financial Statements Act, the Company has chosen not to show the fee to the Company's auditor appointed at the Annual General Meeting.

Recognition and measurement in general

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.

Translation of foreign currency

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on geographical segments is based on the Companys risks and returns and its internal financial reporting system.

Income Statement

Revenue

Revenue from the sale of services is recognised when the risks and rewards relating to the services sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of any VAT and net of discounts relating to sales.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including management fees relating to commercial and technical management of vessels owned by subsidiaries, gains and losses on the sale of intangible assets vessels, plans and equipment and fixed assets investments.

Other external expenses

Other external expenses comprise cost of staff, daily running costs, administration etc.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and vessels, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

The Company is included in the tonnage taxation scheme. 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 group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

The Balance Sheet

Intangible fixed assets

Software

Software is amortized on straight-line bases over the useful life. Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount.

Tangible fixed assets

Vessels, 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.

Interest expenses on loans raised directly for financing the construction of vessels, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Vessels	20 years
Other	3-10 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and vessels, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Financial fixed assets

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, writedown is made to this lower value.

Inventories

Inventories are measured at the lower of cost under the FIFO method or net realisable value.

Receivables

Receivables 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.

Available funds

Available funds comprise cash at bank and in hand.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised 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.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Liabilities

Loans, such as, loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.