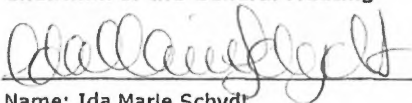


Maersk Supply Service A/S
Esplanaden 50
1263 Copenhagen K
Central Business Registration No
31414377

Annual report 2018

The Annual General Meeting adopted the annual report on 16.05.2019

Chairman of the General Meeting



Name: Ida Marie Schydt

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2018	10
Balance sheet at 31.12.2018	11
Statement of changes in equity for 2018	13
Notes	14
Accounting policies	23

Entity details

Entity

Maersk Supply Service A/S
Esplanaden 50
1263 Copenhagen K

Central Business Registration No: 31414377

Founded: 29.04.2008

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Claus Michael Valentin Hemmingsen, Chairman

Mads Dehlsen Winther

Jan Bjørn Kjærvi

Executive Board

Steen Strøm Karstensen

Entity auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Maersk Supply Service A/S for the financial year 01.01.2018 - 31.12.2018.

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

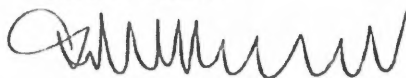
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

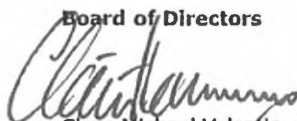
Copenhagen, 16.05.2019

Executive Board



Steen Strøm Karstensen

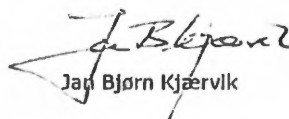
Board of Directors



Claus Michael Valentin
Hemmingsen
Chairman



Mads Dehisen Winther



Jan Bjørn Kjærviik

Independent auditor's report

To the shareholders 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 2018, and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk Supply Service A/S for the financial year 1 January - 31 December 2018, which comprise Income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

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

Statement on management's review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

Independent auditor's report

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.

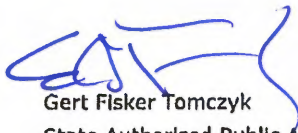
As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

Independent auditor's report

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, 16.05.2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777



Martin Lunden
State Authorised Public Accountant
mne32209

Management commentary

	2018 USD'm	2017 USD'm	2016 USD'm	2015 USD'm	2014 USD'm
Financial highlights					
Key figures					
Revenue	103	113	230	421	584
Gross profit/loss	132	44	45	419	268
Operating profit/loss	(98)	(104)	(1,112)	301	150
Net financials	(399)	(205)	(6)	(7)	(33)
Profit/loss for the year	(491)	(316)	(1,114)	292	393
Total assets	964	1,083	960	1,992	1,979
Investments in vessels, plant and equipment	446	(439)	118	(185)	(156)
Equity	(139)	(1)	313	1,283	1,053
Ratios					
Gross margin (%)	128.6	38.6	19.6	99.5	45.9
Profit margin (%)	(95.4)	(15.6)	(472.3)	71.5	25.7
Return on equity (%)	-	(202.9)	(139.6)	25.0	43.9
Equity ratio (%)	(15.8)	(0.1)	32.6	64.4	53.2
Return on assets (%)	(10.2)	0.1	(168.7)	15.1	7.6

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Profit margin (%)	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Return on assets (%)	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$	Profitability ratio measuring net income from total assets.

Management commentary

Primary activities

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 2018, the Company's fleet comprises 22 vessels.

Development in activities and finances

The Income Statement of the Company for 2018 shows a loss of USD -491 million (2017: loss of USD -316 million) and at 31 December 2018 the balance sheet of the Company shows an equity of USD -139 million (2017: USD -1 million). The result for 2017 included impairment write downs on vessels and investments in subsidiaries of USD 297 million and the result of 2018 include impairment write downs on vessels and investments in subsidiaries of USD 474 million. The result (adjusted for impairment write down) for 2018 of USD -17 million was slightly better than the result (adjusted for impairment write down) for 2017 of USD -19 million primarily due to sales gains on vessels.

Investments

The company had a newbuilding program for seven vessels (four anchor handling tug supply vessels and three subsea support vessels). As at 31 December 2018, the company had taken delivery of all vessels except one, to be delivered in February 2019.

Outlook

The industry continues to be characterised by oversupply and the market remains subdued in the near and mid-term. However, the long-term outlook is expected to pick up from the existing low base. For 2019 revenue and net result is expected to improve slightly compared to 2018 (excluding impairment).

Particular risks

There is no significant dependency on particular customers or suppliers. The Company has no significant credit risks.

The main risks to Maersk Supply Service's performance relate to development in global demand for offshore support vessels and the corresponding development in day rates.

Impairment indicators in Maersk Supply Service are lower day rates on new contracts, forecasted utilization on vessels without firm contracts and a decline in fair market values of vessels.

The fair market value estimates for vessels are highly uncertain as the second-hand market for offshore vessels is in a state of distress with only very few benchmark transactions for both modern and older vessels involving willing buyers / willing sellers.

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

Management commentary

vessels without contracts, further impairment write downs may be recognized in the coming years, if the market decline continues for a longer period. As some of the subsidiaries in the MSS group also own vessels, further write downs on subsidiaries may also be recognised in the coming years.

Similarly, if the market recovers, reversals of impairment on vessels and subsidiaries may be recognised in the coming years.

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

MSS has engaged in new and complex types of operations in 2018 and has done so safely. 2018 has proven to be a strong safety performance year, as MSS only had two Lost Time Injuries (LTI). MSS Total Recordable Case Frequency (TRCF) in 2017 was 1,48 compared to 1,70 in 2018, however still below the max target. The company has seen a significant decrease in Lost Time Injury Frequency (LTIF) from 2016 (0,60) to 2018 (0,38). MSS continues to have a low incident frequency with both 2017 and 2018 showing a significant improvement compared to previous years.

During 2018 vessel visits have been a key initiative as well as KPI, focusing on bringing offshore and onshore closer and to drive uniform safety performance and culture in MSS. To strengthen these initiatives a number of projects have been launched namely mapping of safety culture and upgrade of the incident investigation framework and improved contractor management framework to reinforce Health Safety and Environment (HSE) focus.

Statutory report on 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:

https://www.maersk.com/-/media/ml/about/sustainability/sustainability-new/files/apmm_sustainability_report_2018_a3_190228.pdf

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 under-represented gender on the Board to account for at least 25% of the shareholder-appointed Board members.

As of 31 December 2018, there are no women on the Board, however, the ambition is to reach the target of 25% female representation on the Board by 31 December 2019. The target was not met by end of 2018 as the selection process took longer than anticipated. However, in Q2 2019 the company announced the appointment of Henriette Thygesen as chairman of the Board effective 1 June 2019. With this appointment the target has been reached.

Management commentary

As part of the Maersk Group, Maersk Supply Service A/S adheres to the group policy which was adopted at the Board Meeting in A.P. Møller - Mærsk A/S on 21 February 2013 with the aim to increase the share of the underrepresented gender on the company's management levels (link to policy: <https://www.maersk.com/about/sustainability/highlights-2018/progress-actions-and-ambitions/diversity-and-inclusion>).

In accordance with this policy, Maersk Supply Service A/S has taken steps to look into how the company can attract qualified women to relevant management positions and this is a focus area when identifying candidates for key positions.

Uncertainty relating to recognition and 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 circumstances affecting recognition and measurement

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 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 after the balance sheet date

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

Income statement for 2018

	<u>Notes</u>	<u>2018 USD'000</u>	<u>2017 USD'000</u>
Revenue	4	102,604	113,151
Other operating income		91,942	33,654
Other external expenses		<u>(62,577)</u>	<u>(103,093)</u>
Gross profit/loss		131,969	43,712
Staff costs	5	(58,341)	(9,542)
Depreciation, amortisation and Impairment losses	6	<u>(171,547)</u>	<u>(137,936)</u>
Operating profit/loss		(97,919)	(103,766)
Other financial income	7	811	32,239
Impairment of financial assets	8	(333,762)	(194,154)
Other financial expenses	9	<u>(65,805)</u>	<u>(42,949)</u>
Profit/loss before tax		(496,675)	(308,630)
Tax on profit/loss for the year	10	<u>5,317</u>	<u>(7,818)</u>
Profit/loss for the year	11	<u>(491,358)</u>	<u>(316,448)</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 USD'000</u>	<u>2017 USD'000</u>
Software		4,959	4,161
Intangible assets	12	<u>4,959</u>	<u>4,161</u>
Plant and machinery		3,502	196
Vessels		368,388	477,542
Prepayments for vessels		4,862	69,431
Vessels, plant and equipment	13	<u>376,752</u>	<u>547,169</u>
Investments in subsidiaries		419,895	353,157
Other Investments		2,566	0
Fixed asset investments	14	<u>422,461</u>	<u>353,157</u>
Fixed assets		<u>804,172</u>	<u>904,487</u>
Raw materials and consumables		742	3,406
Manufactured goods and goods for resale		3,564	1,150
Inventories		<u>4,306</u>	<u>4,556</u>
Trade receivables		22,440	15,420
Receivables from group enterprises		100,389	120,159
Other receivables		22,996	31,597
Income tax receivable		10,024	5,348
Receivables		<u>155,849</u>	<u>172,524</u>
Cash		<u>98</u>	<u>1,133</u>
Current assets		<u>160,253</u>	<u>178,213</u>
Assets		<u>964,425</u>	<u>1,082,700</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 USD'000</u>	<u>2017 USD'000</u>
Share capital	15	100,000	100,000
Hedges		(4,075)	3,016
Retained earnings		<u>(235,411)</u>	<u>(104,053)</u>
Equity		<u>(139,486)</u>	<u>(1,037)</u>
Other provisions	16	<u>46,908</u>	<u>174,543</u>
Provisions		<u>46,908</u>	<u>174,543</u>
Debt to other credit institutions		0	122,581
Payables to group enterprises		<u>0</u>	<u>30,939</u>
Non-current liabilities other than provisions		<u>0</u>	<u>153,520</u>
Current portion of long-term liabilities other than provisions		0	37,266
Finance lease liabilities		2,558	0
Trade payables		117,351	16,956
Payables to group enterprises		932,065	696,533
Income tax payable		4,488	3,710
Other payables		<u>541</u>	<u>1,209</u>
Current liabilities other than provisions		<u>1,057,003</u>	<u>755,674</u>
Liabilities other than provisions		<u>1,057,003</u>	<u>909,194</u>
Equity and liabilities		<u>964,425</u>	<u>1,082,700</u>
Going concern	1		
Special Items	2		
Events after the balance sheet date	3		
Financial instruments	17		
Contingent liabilities	18		
Mortgages and securities	19		
Related parties with controlling interest	20		
Transactions with related parties	21		
Group relations	22		

Statement of changes in equity for 2018

	Share capital USD'000	Hedges USD'000	Retained earnings USD'000	Total USD'000
Equity beginning of year	100,000	3,016	(104,053)	(1,037)
Additional paid in capital	0	0	360,000	360,000
Fair value adjust- ment of hedging	0	(7,091)	0	(7,091)
Profit/loss for the year	0	0	(491,358)	(491,358)
Equity end of year	100,000	(4,075)	(235,411)	(139,486)

Notes

1. Going concern

In connection with the board of directors and the management's assessment of the assumption of going concern which forms the basis of the preparation of the Financial Statements of Mærsk Supply Service A/S for 2018 A.P. Møller - Mærsk A/S, being the parent company, have informed that they in line with prior practice have the intention to support Mærsk Supply Service A/S to the extent necessary to finance the Company's operating activities and to settle its financial obligations as they fall due until the date of publishing of the financial statements for 2019.

Based on this, the financial statements of Maersk Supply Service A/S are based on the assumption of going concern.

2. Special items

Impairment on vessels in 2018 is USD 140 million (2017: USD 103 million (net)) and impairment on investments in subsidiaries of USD 334 million (2017: USD 194 million).

The fair market value estimates for vessels are highly uncertain as the second-hand market for offshore vessels is in a state of distress with only very few benchmark transactions for both modern and older vessels involving willing buyers / willing sellers.

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 vessels without contracts, further impairment write downs may be recognized in the coming years, if the market decline continues for a longer period. As some of the subsidiaries in the MSS group also own vessels, further write downs on subsidiaries may also be recognised in the coming years.

Similarly, if the market recovers, reversals of impairment on vessels and subsidiaries may be recognised in the coming years.

3. Events after the balance sheet date

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

Notes

	2018	2017
	USD'000	USD'000
4. Revenue		
Revenue by geographical market		
South America	24,735	37,244
Africa	4,347	6,098
Europe	37,853	39,771
North America	10,654	24,645
Asia and Pacific	25,015	5,393
	<u>102,604</u>	<u>113,151</u>
Revenue by activity		
Exports	<u>102,604</u>	<u>113,151</u>
	<u>102,604</u>	<u>113,151</u>
	2018	2017
	USD'000	USD'000
5. Staff costs		
Wages and salaries	51,353	8,159
Pension costs	5,196	1,116
Other social security costs	667	192
Other staff costs	1,125	75
	<u>58,341</u>	<u>9,542</u>
Average number of employees	<u>719</u>	<u>687</u>

Up until November 2017 the Company had no direct employed persons, as all employees working the Company's activities were employed by Rederiet A.P. Møller A/S or other affiliates. From 1 November 2017 all persons engaged in the Company's activities have been employed directly by Maersk Supply Service A/S.

The total payroll costs was USD 57 million in 2017.

Pursuant 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.

Notes

	2018	2017
	USD'000	USD'000
6. Depreciation, amortisation and impairment losses		
Amortisation of Intangible assets	1,398	1,282
Depreciation of property, plant and equipment	29,877	34,185
Impairment losses on property, plant and equipment	<u>140,272</u>	<u>102,469</u>
	<u>171,547</u>	<u>137,936</u>
	2018	2017
	USD'000	USD'000
7. Other financial income		
Financial Income arising from group enterprises	399	293
Exchange rate adjustments	412	31,945
Other financial income	<u>0</u>	<u>1</u>
	<u>811</u>	<u>32,239</u>
8. Impairment of financial assets		
Impairment of financial assets comprises write down on Investments In subsidiaries.		
	2018	2017
	USD'000	USD'000
9. Other financial expenses		
Financial expenses from group enterprises	60,465	15,414
Exchange rate adjustments	883	24,181
Other financial expenses	<u>4,457</u>	<u>3,354</u>
	<u>65,805</u>	<u>42,949</u>
	2018	2017
	USD'000	USD'000
10. Tax on profit/loss for the year		
Tax on current year taxable Income	(5,904)	8,000
Adjustment concerning previous years	<u>587</u>	<u>(182)</u>
	<u>(5,317)</u>	<u>7,818</u>
	2018	2017
	USD'000	USD'000
11. Proposed distribution of profit/loss		
Retained earnings	<u>(491,358)</u>	<u>(316,448)</u>
	<u>(491,358)</u>	<u>(316,448)</u>

Notes

	Software USD'000
12. Intangible assets	
Cost beginning of year	22,310
Additions	<u>2,196</u>
Cost end of year	<u>24,506</u>
Amortisation and impairment losses beginning of year	(18,149)
Amortisation for the year	<u>(1,398)</u>
Amortisation and impairment losses end of year	<u>(19,547)</u>
Carrying amount end of year	<u>4,959</u>

	Plant and machinery USD'000	Vessels USD'000	Prepayments for Vessels USD'000
13. Vessels, plant and equipment			
Cost beginning of year	1,965	1,744,720	370,249
Transfers	0	698,540	(698,540)
Additions	3,451	16,300	426,064
Disposals	0	<u>(717,458)</u>	<u>(38,078)</u>
Cost end of year	<u>5,416</u>	<u>1,742,102</u>	<u>59,695</u>
Depreciation and impairment losses beginning of the year	(1,769)	(1,267,178)	(300,818)
Transferred from Onerous Contract Provision	0	(122,910)	0
Transfers	0	(207,907)	207,907
Impairment losses for the year	0	(140,272)	0
Reversed regarding disposal	0	394,285	38,078
Depreciation for the year	<u>(145)</u>	<u>(29,732)</u>	<u>0</u>
Depreciation and impairment losses end of the year	<u>(1,914)</u>	<u>(1,373,714)</u>	<u>(54,833)</u>
Carrying amount end of year	<u>3,502</u>	<u>368,388</u>	<u>4,862</u>

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

Notes

Carrying amount of leased fixed assets are 3.307 thousand USD (2017: 0 USD).

	Investments in subsidiaries	Other Investments
	USD'000	USD'000
14. Fixed asset investments		
Cost beginning of year	547,311	0
Additions	<u>400,500</u>	<u>2,566</u>
Cost end of year	<u>947,811</u>	<u>2,566</u>
Impairment losses beginning of year	(194,154)	0
Impairment losses for the year	<u>(333,762)</u>	<u>0</u>
Impairment losses end of year	<u>(527,916)</u>	<u>0</u>
Carrying amount end of year	<u>419,895</u>	<u>2,566</u>

Notes

	<u>Registered in</u>	<u>Corpo- rate form</u>	<u>Equity inte- rest %</u>	<u>Equity USD'000</u>	<u>Profit/loss USD'000</u>
Investments in group enterprises comprise:					
Maersk Supply Service	Denmark	A/S	100.0	347,753	(333,153)
International A/S**					
Maersk Supply Service West Africa A/S**	Denmark	A/S	100.0	97,262	1,473
Maersk Supply Service Integrated Solutions A/S**	Denmark	A/S	100.0	1,103	2,054
Maersk Decom A/S**	Denmark	A/S	50.0	1,680	(2,320)
Maersk Supply Service Philippines A/S**	Denmark	A/S	100.0	458	(21)
Maersk Supply Service Brazil Holdings A/S**	Denmark	A/S	100.0	(27,420)	(15,994)
Maersk Supply Service Nigeria A/S**	Denmark	A/S	100.0	(2,502)	(3)
Maersk Supply Service Canada Ltd.*	Canada	Ltd.	100.0	26,153	(8,325)
Maersk Supply Service (Angola) S.A.*	Angola	S.A.	49.0	(2,172)	(266)
Maersk Supply Service France Ltd.*	France	SAS	100.0	(261)	(368)
Maersk Supply Service Congo S.A.*	Congo	S.A.	100.0	23	(62)
Maersk Supply Service UK Ltd.*	United Kingdom	Ltd.	100.0	260,706	(79,959)
Maersk Supply Service Subsea UK Ltd.*	United Kingdom	Ltd.	100.0	227,798	(73,324)

Notes

Maersk Crewing Australa Pty. Ltd.*	Australia	Ltd.	100.0	82	(24)
Maersk Supply Service Singapore Pte. Ltd.*	Singapore	Ltd.	100.0	1	0
Maersk Supply Service Apolo Maritimo Ltda.*	Brazil	Ltda.	100.0	5,256	(10,136)
Maersk Supply America Latina Servicos Maritimos Ltda.***	Brazil	Ltda.	100.0	NA	NA
Maersk Supply Service Griffon Ghana Ltd.***	Ghana	Ltd.	90.0	NA	NA
Maersk Supply Service Nova Scotia Ltd.*	Canada	Ltd.	100.0	16	3

* Annual Report 2017 (converted from local currency to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2017, and the profit is calculated using the average exchange rate for 2017).

** Annual Report 2018 (converted from local currency to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2018, and the profit is calculated using the average exchange rate for 2018).

*** No published financial statements available.

15. Share capital

The share capital consists of 507,531 shares of a nominal value of DKK 1,000, equal to USD 100 million. No shares carry any special rights.

16. Other provisions

Other provisions comprising litigations, provisions to onerous new-building contracts etc., including disputes on taxes and duties. Other provisions of USD 1 million (2017: USD 2 million) are expected to mature within one year and USD 1 million within 2-5 years. Provisions are recognised based on specific estimates and amounts may vary, as these are uncertain.

Remaining Other provisions includes USD 30 million (2017: USD 153 million) in provision regarding loss making CAPEX contracts maturing within 1 year and tax provisions of USD 15 million (2017: USD 7 million maturing within 2-5 years).

Notes

17. 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 3.4 million (2017: gain of USD 10 million) at the balance sheet date. The expected purchases of vessels have been hedged corresponding to an amount of USD 69 million (2017: USD 275 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.

18. Contingent liabilities

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 Entity participates in a Danish joint taxation arrangement where A.P. Møller Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

There are uncertain tax positions relating to MSS A/S in various countries in which the Company operates. These involve significant amounts and are subject to considerable uncertainty.

There are no other contingent liabilities at 31 December 2018.

19. Mortgages and securities

Security:

Security in vessels at the amount of USD 0 (2017: USD 160 million). The carrying amount of the vessels provided as security is USD 0 (2017: USD 382 million).

Contractual obligations:

As of 31 December 2018, the company has outstanding commitments of USD 74 million related to vessels contracted (2017: USD 493 million).

There are no other securities at 31 December 2018.

20. Related parties with controlling interest

Controlling interest:

Majority shareholder: A.P. Møller – Mærsk A/S, Esplanaden 50, 1263 Copenhagen K, Denmark.

Notes

Other related parties:

Companies affiliated with A.P. Møller – Mærsk A/S and A.P. Møller Holding 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.

21. Transactions with related parties

The vessels Maersk Involver, Maersk Inventor and Maersk Implementer was sold to Maersk Supply Service Subsea UK Ltd. in February and March 2018.

The vessel Maersk Topper was sold to Maersk Supply Service Ltd. in November 2018 and the vessel Maersk Mobiliser was sold to Maersk Supply Service Canada Ltd. in December 2018.

The Company bought Maersk Achiever from Maersk Supply Service Subsea UK Ltd. in August 2018.

22. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: A.P. Møller – Mærsk A/S, Esplanaden 50, 1263 Copenhagen K, Denmark.

The Company is also included in the consolidated financial statements for A.P. Møller Holding A/S, Esplanaden 50, 1263 Copenhagen K, Denmark.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large enterprises).

The accounting policies applied to these financial statements are consistent with those applied last year and the Annual Accounts are presented in American dollars (USD). The exchange rate of USD to DKK was 6.521 at 31 December 2018 (2017: 6.602).

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. 22 75 62 14.

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

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.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Hedge accounting

Changes in 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 value 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.

Accounting policies

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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

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

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

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.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for staff, daily running costs, administration etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Accounting policies

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment, vessels and intangible assets comprise depreciation, amortisation and impairment losses for the financial year.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, receivables and transactions in foreign currencies.

Impairment of financial assets

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies.

Tax on profit/loss for the year

The Company is included in the Tonnage Taxation Scheme. Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries 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.

Balance sheet

Intangible assets

Software is amortised on straight-line bases over the useful life.

Vessels, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Interest expenses on loans for the financing of the manufacture of vessels, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Accounting policies

Vessels	20 years
Other	3-10 years

Estimated useful lives and residual values are reassessed annually.

Items of vessels, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Other investments

Other investments comprise unlisted equity investments measured at the lower of cost and net realisable value.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Finance lease liabilities

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

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