
Maersk Supply Service A/S

Esplanaden 50, DK-1098 Copenhagen K

Annual Report for 1 January - 31 December 2015

CVR No 31 41 43 77

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/5 2016

Ida Marie Schydt
Chairman



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Management's Statement

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 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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, 24 May 2016

Executive Board

Jørn Peter Madsen

Board of Directors

Morten Henrik Engelstoft
Chairman

Robert Uggla

Line Perlman

Søren Fink

Independent Auditor's Report on the Financial Statements

To the Shareholder of Maersk Supply Service A/S

Report on the Financial Statements

We have audited the Financial Statements of Maersk Supply Service A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 24 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Gert Fisker Tomczyk
statsautoriseret revisor

Thomas Wraae Holm
statsautoriseret revisor

Company Information

The Company

Maersk Supply Service A/S
Esplanaden 50
DK-1098 Copenhagen K

CVR No: 31 41 43 77

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Board of Directors

Morten Henrik Engelstoft, Chairman
Robert Ugglå
Line Perlman
Søren Fink

Executive Board

Jørn Peter Madsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2015	2014	2013	2012	2011
	USD Million	USD Million	USD Million	USD Million	USD Million
Key figures					
Profit/loss					
Revenue	421	584	494	423	476
Gross profit/loss	419	268	262	172	248
Operating profit/loss	78	143	131	64	144
Profit/loss before financial income and expenses	301	150	158	76	155
Net profit/loss for the year	292	393	133	46	186
Balance sheet					
Balance sheet total	1,992	1,979	1,867	1,759	1,719
Equity	1,283	1,053	738	560	506
Investment in vessels, plant and equipment	(185)	(156)	(211)	(174)	(43)
Ratios					
Gross margin	99.5 %	45.9 %	53.0 %	40.7 %	52.1 %
Profit margin	71.5 %	25.7 %	32.0 %	18.0 %	32.6 %
Return on assets	15.1 %	7.6 %	8.5 %	4.3 %	9.0 %
Solvency ratio	64.4 %	53.2 %	39.5 %	31.8 %	29.4 %
Return on equity	25.0 %	43.9 %	20.5 %	8.6 %	30.4 %

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of Maersk Supply Service A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

Main activity

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 2015, the company's fleet comprises 43 vessels.

Development in the year

The income statement of the Company for 2015 shows a profit of USD '000 291,527, and at 31 December 2015 the balance sheet of the Company shows equity of USD '000 1,282,849.

The result for 2015 amounted to USD 292 million compared to USD 393 million in 2014. The result for 2014 included dividend of USD 275 million and the result for 2015 included sales gains of USD 215 million. The result was in accordance with our expectations announced in last year's Annual Report.

Investments

The company sold its shares in Esvagt A/S to an external buyer as well as three vessels of which two were reported as assets held for sale at the end of 2014.

The company acquired one 2nd hand vessel in 2015 and has in addition three newbuilding contracts for eleven vessels (one cable layer, six anchor handling tug supply vessels and four subsea support vessels). The contracts were made in 2014 and the vessels will be delivered during 2016 and 2017.

Expectations of 2016

The markets are still under considerable pressure with activities dropping to very low levels as a result of the lower oil price. The company has initiated various initiatives to reduce the cost base but despite of these, a result significantly below that of 2015 is expected for 2016.

Management's Review

Special risks - operating risks and financial risks

Market risks

The company has significant business with Petroleo Brasileiro S.A. (Petrobras) but this risk is manageable and lies within the risk appetite. There is no significant dependency on other 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 many cases have dropped below carrying amount. The fair value estimates are highly uncertain due to character 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 significantly lower than the rates at which the Group has currently contracted. 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, impairment losses may be recognised in the coming years, if markets develop significantly adverse compared to current expectations.

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. During 2015 we have fortunately seen a positive development in our safety statistics but efforts are constantly made to promote even higher safety standards among all employees and suppliers.

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.

Management's Review

Statutory statement of corporate social responsibility

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

Share of the underrepresented gender

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

As of 31 December 2015, one of the shareholder-appointed board members is woman.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2015 USD '000	2014 USD '000
Revenue	1	421,199	584,122
Other operating income		223,293	7,680
Other external expenses		<u>(225,704)</u>	<u>(324,293)</u>
Gross profit/loss		418,788	267,509
Depreciation, amortisation and impairment of intangible assets and vessels, plant and equipment	3	<u>(117,660)</u>	<u>(117,228)</u>
Profit/loss before financial income and expenses		301,128	150,281
Income from investments in subsidiaries		0	275,000
Financial income	4	6,064	5,403
Financial expenses	5	<u>(13,281)</u>	<u>(38,593)</u>
Profit/loss before tax		293,911	392,091
Tax on profit/loss for the year	6	<u>(2,384)</u>	<u>1,014</u>
Net profit/loss for the year		<u>291,527</u>	<u>393,105</u>

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	0
Retained earnings	<u>291,527</u>	<u>393,105</u>
	<u>291,527</u>	<u>393,105</u>

Balance Sheet 31 December

Assets

	Note	2015 USD '000	2014 USD '000
Software		17,696	7,313
Intangible assets	7	17,696	7,313
Plant and equipment		196	229
Vessels		1,154,157	1,255,988
Prepayments for vessels, plant and equipment		272,148	119,756
Vessels, plant and equipment	8	1,426,501	1,375,973
Investments in subsidiaries	9	151,773	237,239
Financial asset investments		151,773	237,239
Fixed assets		1,595,970	1,620,525
Inventories	10	9,891	15,138
Trade receivables		65,135	94,070
Receivables from group enterprises		300,247	232,999
Other receivables		15,254	16,005
Corporation tax		5,457	0
Receivables		386,093	343,074
Cash at bank and in hand		0	113
Currents assets		395,984	358,325
Assets		1,991,954	1,978,850

Balance Sheet 31 December

Liabilities and equity

	Note	2015 USD '000	2014 USD '000
Share capital		100,000	100,000
Retained earnings		1,182,849	953,357
Equity	11	1,282,849	1,053,357
Other provisions	12	35,566	38,581
Provisions		35,566	38,581
Credit institutions		198,190	504,947
Other payables		144,935	105,907
Long-term debt	13	343,125	610,854
Credit institutions	13	169,616	84,556
Trade payables		30,310	57,225
Payables to group enterprises		69,902	106,102
Corporation tax		1,241	3,787
Other payables		59,345	24,388
Short-term debt		330,414	276,058
Debt		673,539	886,912
Liabilities and equity		1,991,954	1,978,850
Contingent assets, liabilities and other financial obligations	14		
Related parties and ownership	15		

Statement of Changes in Equity

	Share capital USD '000	Retained earnings USD '000	Total USD '000
Equity at 1 January	100,000	953,357	1,053,357
Fair value adjustment of hedging instruments, end of year	0	(62,035)	(62,035)
Net profit/loss for the year	0	291,527	291,527
Equity at 31 December	100,000	1,182,849	1,282,849

Notes to the Financial Statements

	2015 <u>USD '000</u>	2014 <u>USD '000</u>
1 Revenue		
Geographical segments		
Revenue, exports	421,199	584,122
	421,199	584,122
Business segments		
Europe	59,711	158,916
North and South America	192,338	193,321
Africa	88,293	120,985
Other Regions *	80,857	110,900
	421,199	584,122

* Includes primarily Australia, the Middel East and Singapore.

2 Staff expenses

Average number of employees	1,197	1,275
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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 1,197 persons (2014: 1,275 persons) were engaged in the Company's activities.

The total payroll cost was USD 94 million (2014: USD 133 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.

	2015 <u>USD '000</u>	2014 <u>USD '000</u>
3 Depreciation, amortisation and impairment of intangible assets and vessels, plant and equipment		
Depreciation of vessels, plant and equipment	117,660	117,228
	117,660	117,228

Notes to the Financial Statements

	2015 <u>USD '000</u>	2014 <u>USD '000</u>
4 Financial income		
Interest received from group enterprises	659	84
Other financial income	2	0
Exchange gains	5,403	5,319
	<u>6,064</u>	<u>5,403</u>
5 Financial expenses		
Interest paid to group enterprises	2,672	0
Other financial expenses	4,952	16,966
Exchange loss	5,657	21,627
	<u>13,281</u>	<u>38,593</u>
6 Tax on profit/loss for the year		
Current tax for the year	8,998	8,134
Adjustment of tax concerning previous years	(6,614)	(9,148)
	<u>2,384</u>	<u>(1,014)</u>
7 Intangible assets		<u>Software</u> USD '000
Cost at 1 January		7,313
Additions for the year		<u>12,567</u>
Cost at 31 December		<u>19,880</u>
Amortisation for the year		<u>2,184</u>
Impairment losses and amortisation at 31 December		<u>2,184</u>
Carrying amount at 31 December		<u>17,696</u>

Notes to the Financial Statements

8 Vessels, plant and equipment

	Plant and equipment USD '000	Vessels USD '000	Prepayments for vessels, plant and equipment USD '000	Total USD '000
Cost at 1 January	1,965	2,030,888	119,756	2,152,609
Exchange adjustment	0	269,135	0	269,135
Additions for the year	0	24,441	160,618	185,059
Disposals for the year	0	(108,440)	0	(108,440)
Transfers for the year	0	8,226	(8,226)	0
Cost at 31 December	<u>1,965</u>	<u>2,224,250</u>	<u>272,148</u>	<u>2,498,363</u>
Impairment losses and depreciation at 1 January	1,736	774,900	0	776,636
Exchange adjustment	0	269,135	0	269,135
Depreciation for the year	33	115,443	0	115,476
Reversal of impairment and depreciation of sold assets	0	(89,385)	0	(89,385)
Impairment losses and depreciation at 31 December	<u>1,769</u>	<u>1,070,093</u>	<u>0</u>	<u>1,071,862</u>
Carrying amount at 31 December	<u>196</u>	<u>1,154,157</u>	<u>272,148</u>	<u>1,426,501</u>

Notes to the Financial Statements

	<u>2015</u> USD '000	<u>2014</u> USD '000
9 Investments in subsidiaries		
Cost at 1 January	237,239	237,239
Disposals for the year	<u>(85,466)</u>	<u>0</u>
Carrying amount at 31 December	<u>151,773</u>	<u>237,239</u>

Notes to the Financial Statements

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Maersk Supply Service International A/S**	Denmark	83	100 %	138,735	(34)
Maersk Supply Service West Africa A/S*	Denmark	857	100 %	41,058	11,893
Maersk Supply Service Nigeria A/S	Denmark	77	100 %	10	-
Maersk Supply Service Brazil Holdings A/S**	Denmark	913	100 %	845	(2)
Maersk Supply Service (Angola) S.A*	Angola	82	49 %	(663)	439
Maersk Supply Service Congo SA**	Congo	17	100 %	(2,066)	(835)
Maersk Supply Service Canada Ltd.*	Canada	7.202	100 %	100,836	17,605
Maersk Supply Service UK Limited*	United Kingdom	1,000	100 %	47,604	7,049
Maersk Supply Service Subsee UK Limited	United Kingdom	40,000	100 %	40,000	-
Maersk Supply Service France SAS*	France	45	100 %	544	241
Maersk Supply Service Singapore Pte. Ltd.**	Singapore	0	100 %	0	-
Maersk Supply Service Apolio Maritimo Ltda.*	Brazil	33,760	0 %	14,207	(281)
Maersk Crewing Australia Pty Ltd.*	Australia	0	100 %	178	75

*Annual Report 2014 (converted from local currency to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2014, and the profit is calculated using the average exchange rate for 2014)

**Annual Report 2015 (converted from local currency 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)

Notes to the Financial Statements

	2015 USD '000	2014 USD '000
10 Inventories		
Raw materials and consumables	5,843	8,257
Finished goods and goods for resale	4,048	6,881
	<u>9,891</u>	<u>15,138</u>

11 Equity

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

The share capital has developed as follows:

	2015 USD '000	2014 USD '000	2013 USD '000	2012 USD '000	2011 USD '000
Share capital at 1 January	100,000	100,000	99,999	99,999	99,999
Capital increase	0	0	1	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>99,999</u>	<u>99,999</u>

	2015 USD '000	2014 USD '000
12 Other provisions		

Other provisions comprising litigations etc., including disputes on taxes and duties. Other provisions of USD 7.2 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.

Other provisions	35,566	38,581
	<u>35,566</u>	<u>38,581</u>

Notes to the Financial Statements

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2015 USD '000	2014 USD '000
Credit institutions		
After 5 years	33,949	109,143
Between 1 and 5 years	164,241	395,804
Long-term part	198,190	504,947
Other short-term debt to credit institutions	169,616	84,556
	367,806	589,503
Other payables		
Between 1 and 5 years	144,935	105,907
Long-term part	144,935	105,907
Other short-term payables	59,345	24,388
	204,280	130,295

14 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

Between 1 and 5 years	0	1,900
	0	1,900

Security

The following assets have been placed as security with credit institutes and bankers:

Security in vessels at the amount of USD 265 million (31 December 2014 USD 537 million). The carrying amount of the vessels provided as security is USD million

425	728
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Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations (continued)

Contractual obligations

As of 31 December 2015, the company has outstanding commitments of USD 1,051 million related to vessels contracted (31 December 2014 USD 1,097 million)

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 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 A/S Group for corporate- and withholding tax to Denmark.

There are no other security and contingent liabilities at 31 December 2015.

15 Related parties and ownership

Basis

Controlling interest

A.P. Møller - Mærsk A/S, Esplanaden 50, 1098 Copenhagen K.	100 % Owner
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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.

Notes to the Financial Statements

15 Related parties and ownership (continued)

Transactions

No transactions relating to purchases or sales of vessels with related parties during 2015.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Maersk Supply Service A/S is 100% owned by A.P. Møller Mærsk A/S,
Esplanaden 50, 1098 Copenhagen K.

The Company is included in the consolidated accounts for A.P. Møller - Mærsk A/S and A.P. Møller Holding A/S.

Accounting Policies

Basis of Preparation

The Annual Report of Maersk Supply Service A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year, except that a cash flow statement is not prepared.

Financial Statements for 2015 are presented in USD '000.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of A.P. Møller - Mærsk A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of A.P. Møller - Mærsk A/S, the Company has not prepared a cash flow statement.

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.

Accounting Policies

Translation policies

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 based on the Company's risks and returns and its internal financial reporting system.

Accounting Policies

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.

Accounting Policies

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.

Balance Sheet

Intangible assets

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.

Vessels, plant and equipment

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.

Accounting Policies

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down 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.

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.

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.

Financial debts

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 debts are measured at amortised cost, substantially corresponding to nominal value.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$