

Maersk Supply Service A/S

Esplanaden 50
DK-1263 Copenhagen K

**Central Business Registration
No. 31414377**

Annual Report 2019

The Annual General Meeting adopted the Annual Report on 21.05.2020.

Chairman of the General Meeting



Name: Lene Blume Larsen

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COMPANY DETAILS

The Company	Maersk Supply Service A/S Esplanaden 50 DK-1263 Copenhagen K Denmark
	CVR No.: 31414377
	Registered in: Copenhagen
	Registration date: 29 April 2008
	Accounting period: 1 January 2019 - 31 December 2019
Board of Directors	Henriette Hallberg Thygesen (Chairman) Johan Pedersson Hay Ugglå Mads Dehlsen Winther Jan Bjørn Kjærvi
Executive Board	Steen Strøm Karstensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup Denmark CVR No. 33771231
Consolidated accounts	The Company is included in the consolidated accounts of A.P. Møller Holding A/S, Copenhagen and A.P. Møller – Mærsk A/S, Copenhagen.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Maersk Supply Service A/S for the financial year 1 January - 31 December 2019.

The Annual Report for 2019 has been 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 2019 of the Company and of the results of the Company operations for 2019.

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

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

Copenhagen, 21 May 2020

Executive Board



Steen Strøm Karstensen

Board of Directors


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Henriette Hallberg Thygesen
(Chairman)

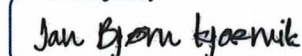
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Mads Dehlisen Winther

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Jan Bjørn Kjærnik

INDEPENDENT AUDITOR'S REPORT

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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Maersk Supply Service A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Commentary

Management is responsible for Management's Commentary.

Our opinion on the financial statements does not cover Management's Commentary, 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 Commentary and, in doing so, consider whether Management's Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Commentary 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 Commentary.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 (continued)

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, 21 May 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31



Søren Ørjan Jensen
State Authorised Public Accountant
mne33226



Martin Lunden
State Authorised Public Accountant
mne32209

MANAGEMENT'S COMMENTARY

Key figures and financial highlights

(amounts in USD million)

	2019	2018	2017	2016	2015
Revenue	134	103	113	230	421
Gross profit/loss	71	132	44	45	419
Operating profit/loss	(44)	(98)	(104)	(1,112)	301
Financial items, net	(64)	(399)	(205)	(6)	(7)
Profit/loss for the year	(104)	(491)	(316)	(1,114)	292
Total assets	888	964	1,083	960	1,992
Investments in vessels, plant and machinery	189	446	442	118	185
Total equity	460	(139)	(1)	313	1,283
Gross margin (%)	53.0	128.6	38.6	19.6	99.5
Profit margin (%)	(32.8)	(95.4)	(15.6)	(472.3)	71.5
Return on equity (%)	(64.8)	-	(202.9)	(139.6)	25.0
Equity ratio (%)	51.8	(15.8)	(0.1)	32.6	64.4
Return on assets (%)	(5.0)	(10.2)	0.1	(168.7)	15.1

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 ratios (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	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'S COMMENTARY (CONTINUED)

Primary activities

Maersk Supply Service A/S is a 100% owned subsidiary of A.P. Møller-Mærsk, providing global services to the offshore industry including anchor handling, towage of drilling rigs and platforms, as well as supply vessel operations. A minor part of the activities takes place in branches abroad (please refer note 4).

As of 31 December 2019, the company's fleet comprises 24 vessels.

Development in activities and finances

The Income Statement of the Company for 2019 shows a loss of USD 104 million (2018: 491 million) and at 31 December 2019 the balance sheet of the Company shows an equity of USD 460 million (2018: USD -139 million). The result for 2019 include impairment write downs on vessels and investments in subsidiaries of USD 189 million, partly offset by received dividend of USD 172 million, whereas the result of 2018 included impairment write downs on vessels and investments in subsidiaries of USD 474 million. The loss (adjusted for impairment write down on vessels and subsidiaries and received dividend) for 2019 of USD 69 million was higher than the loss (adjusted for impairment write down on vessels and subsidiaries) for 2018 of USD 17 million. This is primarily due to significant reduction in gains on divested vessels, partly offset by reduced financial costs. Compared to the expectations as set out last year in the Annual Report 2018, revenue did improve as expected, whereas the net result did not, contraire to expectations, mainly due to significant reduction in gains on divested vessels.

During the year, A.P. Møller-Mærsk A/S has made a capital increase in Maersk Supply Service A/S of USD 700 million as a cash contribution.

Investments

The Company had a newbuilding program for totally 10 vessels (six anchor handling tug supply vessels and four subsea support vessels). In February 2019, the company had taken delivery of the last of the 10 vessels.

The Company has during the year started a minor development project, with the aim of supporting the offshore business in the future. The development project is recognised within "Development projects in progress" in the Balance Sheet. As of 31 December 2019, the carrying value amounted to USD 1.7 million.

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.

The Company's outlook for the future will be negatively impacted by the COVID-19 pandemic, and the measures taken by governments around the world to limit the effect of the outbreak, see also subsequent events disclosures in note 3.

Management has tried to estimate the effect of COVID-19 on the expected revenue and net profit of the Company. It is, however, still too early to give an opinion as to the extent of the negative implications. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

MANAGEMENT'S COMMENTARY (CONTINUED)

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 utilisation 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 vessels without contracts, further impairment write downs may be recognised in the coming years, if the market decline continues for a longer period. As some of the subsidiaries in the Maersk Supply Service Group (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

During 2019 MSS Group continued to expand its business activities into new and ever more complex operations. Despite increased complexity, 2019 signified a year with strong safe performance for MSS Group. Not only did MSS Group not see any Lost Time Injuries (LTI) for the entire year of 2019, a significant improvement in Total Recordable Case Frequency (TRCF) was also achieved. The TRCF for 2019 was 1.03 compared to that of 1.70 in 2018.

Several safety related initiatives were launched in MSS Group during 2019. Firstly, the "Safety 2.0" MSS Group safety culture change was initiated. "Safety 2.0" focused on creating further safety robustness and capacity of safe mistakes around day to day operations. Here an idea campaign resulted in excess of 200 suggestions for improvement project from offshore employees. A selection of these ideas will be taken forward into the second phase of the project in 2020.

Next, 2019 also saw the introduction of a new safety management system (Unisea) in MSS Group. Challenges with the previous safety management system included most significantly its limited offline capability. In turn, this making it difficult for offshore employees to remain both

MANAGEMENT'S COMMENTARY (CONTINUED)

efficient, updated and compliant with the requirements stipulated the MSS Group safety management system. Unisea was delivered and implemented on time and below budget. Moreover, positive feedback has been received from both offshore colleagues and clients in terms of both speed, functionality and offline capability.

Environmental performance

2019 also brought positive results from an environmental perspective as well as providing learning and further opportunities for improvement for MSS Group. Environmental highlights from 2019 include positive results from the globally run plastic campaign (14% reduction in plastic disposed from vessels) and a significant continued CO₂-emission reduction (7.6% compared to 2018). MSS Group has had a long-term focus on CO₂-reduction and the MSS Group 10-year CO₂ reduction has led to a 38% reduction in average CO₂-emissions per vessel and is currently already exceeding the end of 2020 30% target.

Overall from 2018 to 2019 the number of spills (to sea and contained) increased by two, however the volume of spills continued to drop and in 2019 decreased with 33%. Furthermore, while MSS Group had one more spill to sea compared to 2018, five out of six spills were below 1 liter. The overall volume of spills to sea was 60% less than 2018, and therefore spills from MSS operations have had a reduced impact on the environment.

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/about/sustainability/reports>

Maersk Supply Service had a target of increasing the female board membership to 25% before 31st of December 2019. The target was met, as the chairperson of the board is a female whom was elected on the general assembly in 2019. However, any future board changes/increases would be with the goal to further increase female representation towards 50%. At this time, there are however no known board changes. It should be noted that the board positions are staffed by the A.P. Møller-Mærsk owners.

Maersk Supply Service A/S have not had its own separate diversity & inclusion policy but until now followed A.P. Mærsk-Mærsk A/S Group policy, which aims to increase the underrepresented gender. It is a committed objective for 2020 to get own D&I policy focusing on minorities, not just women, and setting the company's own targets on women in leading roles.

In relation to above, Maersk Supply Service Group joined the charter for more women in shipping in January 2020 with the ambition to increase the amount of women on- and offshore.

This signing of the charter supported ongoing initiatives to increase retention of female seafarers which Maersk Supply Service Group initiated in 2H 2019 together with Danish Shipping.

While Maersk Supply Service Group is dedicated to the initiatives and goals of more women in shipping and in leadership, the current business climate in the O&G sector and expected reduction in recruitments in 2020 will likely prolong the time to achieve goals of diversity.

MANAGEMENT'S COMMENTARY (CONTINUED)

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 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events apart from the impact from the impairment write downs as described above.

Events after the balance sheet date

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

The impairment test made by Management as at 31 December 2019 is based on the expected future cash flows as at that date. This will differ from the cash flows expected by Management at the time of adopting the Annual Report due to COVID-19, see comments in the section 'outlook' in Management's Commentary. Management is monitoring the development closely. It is, however, still too early to give an opinion as to whether and, if so, to what extent COVID-19 will impact revenue and earnings in 2020 and beyond. Naturally, Management will make every effort to recapture any lost revenue later in the year or in 2021.

As announced on May 6, 2020, Maersk Supply Service Group plans to reduce onshore costs with approximately 30%, which mainly will impact employees in Maersk Supply Service A/S.

In addition, no events have occurred after the reporting date of importance to the Annual Report.

INCOME STATEMENT

Amounts in USD 1,000

Note		<u>2019</u>	<u>2018</u>
4	Revenue	134,385	102,604
	Other operating income	19,996	91,942
	Other operating expenses	(7,777)	0
	Other external expenses	<u>(75,459)</u>	<u>(62,577)</u>
	Gross profit/loss	71,145	131,969
5	Staff costs	(69,078)	(58,341)
6	Depreciation, amortisation and Impairment losses	<u>(46,174)</u>	<u>(171,547)</u>
	Operating profit/loss	(44,107)	(97,919)
7	Other financial income	541	811
	Dividends received	172,000	0
8	Impairment of subsidiaries	(186,354)	(333,762)
8	Impairment of joint ventures	(3,182)	0
9	Other financial expenses	<u>(46,775)</u>	<u>(65,805)</u>
	Profit/loss before tax	(107,877)	(496,675)
10	Tax	<u>4,031</u>	<u>5,317</u>
11	Profit/loss for the year	<u>(103,846)</u>	<u>(491,358)</u>

BALANCE SHEET 31 DECEMBER

Amounts in USD 1,000

Assets	2019	2018
Note		
Software	6,077	4,959
Development project in progress	<u>1,653</u>	<u>0</u>
12 Intangible asset	<u>7,730</u>	<u>4,959</u>
Plant and machinery	3,158	3,502
Vessels	477,420	368,388
Prepayments for vessels	<u>1,264</u>	<u>4,862</u>
13 Vessels, plant and machinery	<u>481,842</u>	<u>376,752</u>
Investments in subsidiaries	252,981	417,895
Investments in joint ventures	2,818	2,000
Other investments	<u>12,775</u>	<u>2,566</u>
14 Fixed asset investments	<u>268,574</u>	<u>422,461</u>
Fixed Assets	<u>758,146</u>	<u>804,172</u>
Raw materials and consumables	513	742
Manufactured goods and goods for resale	<u>6,884</u>	<u>3,564</u>
Inventories	<u>7,397</u>	<u>4,306</u>
Trade receivables	25,330	22,440
Receivables from affiliated companies	88,649	100,389
Other receivables	2,252	19,627
Income tax receivable	3,875	10,024
Prepayments	<u>2,118</u>	<u>3,369</u>
Receivables	<u>122,224</u>	<u>155,849</u>
Cash	<u>342</u>	<u>98</u>
Current assets	<u>129,963</u>	<u>160,253</u>
Assets	<u>888,109</u>	<u>964,425</u>

BALANCE SHEET 31 DECEMBER (continued)

Amounts in USD 1,000

Equity and liabilities

	<u>2019</u>	<u>2018</u>
15		
Share capital	100,000	100,000
Hedges	(314)	(4,075)
Reserve – Development Project	1,653	0
Retained earnings	<u>359,090</u>	<u>(235,411)</u>
Total equity	<u>460,429</u>	<u>(139,486)</u>
16		
Other provisions	<u>18,198</u>	<u>46,908</u>
Provisions	<u>18,198</u>	<u>46,908</u>
17		
Other payables	<u>657</u>	<u>0</u>
Non-current liabilities	<u>657</u>	<u>0</u>
Finance lease liabilities	0	2,558
Trade payables	22,498	117,351
Payables to affiliated companies	371,632	932,065
Income tax payable	778	4,488
Other payables	<u>13,917</u>	<u>541</u>
Current liabilities	<u>408,825</u>	<u>1,057,003</u>
Liabilities other than provisions	<u>409,482</u>	<u>1,057,003</u>
Equity and liabilities	<u>888,109</u>	<u>964,425</u>

- 1 Going concern
- 2 Special items
- 3 Event after the balance sheet date
- 18 Financial instruments
- 19 Contingent liabilities
- 20 Contractual obligations
- 21 Related parties with controlling interest
- 22 Transactions with related parties
- 23 Group relations

STATEMENT OF CHANGES IN EQUITY FOR 2019

Amounts in USD 1,000

	Share capital	Reserve Dev.Proj.	Hedges	Retained earnings	Total
1 January 2019	100,000	-	(4,075)	(235,411)	(139,486)
Capital increase	-	-	-	700,000	700,000
Fair value adjustment of Hedging	-	-	3,761	-	3,761
Reserve Dev.Project	-	1,653	-	(1,653)	0
Profit for the year	-	-	-	(103,846)	(103,846)
31 December 2019	100,000	1,653	(314)	359,090	460,429

NOTES

Note

1 **Going concern**

In connection with the Board of Directors and Management's assessment of the assumption of going concern which forms the basis of the preparation of the Annual Report of Maersk Supply Service A/S for 2019 A.P. Møller - Mærsk A/S, being the Parent Company, have informed that they in line with prior practice will support Maersk 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 Annual Report for 2020.

Based on this, the Annual Report of Maersk Supply Service A/S is based on the assumption of going concern.

2 **Special items**

Impairment on vessels in 2019 is net USD 18 million (2018: USD 140 million (net)) and impairment on Investments in subsidiaries of USD 190 million (2018: USD 334 million), partly offset by received dividend of USD 172 million (2018: USD 0 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 recognised 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 Event after the balance sheet date

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

Management has tried to estimate the effect of COVID-19 on the expected revenue and net profit for Maersk Supply Service A/S. It is, however, still too early to give an opinion as to the extent of the negative implications. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

As announced on May 6, 2020, Maersk Supply Service Group plans to reduce onshore costs with approximately 30%, which mainly will impact employees in Maersk Supply Service A/S.

In addition, no events have occurred after the reporting date of importance to the Annual Report.

NOTES (continued)

Amounts in USD 1,000

	<u>2019</u>	<u>2018</u>
4 Revenue		
<i>By geographical market</i>		
Europe	67,916	37,853
Asia and Pacific	32,856	25,015
Africa	19,043	4,347
North America	10,201	10,654
South America	4,369	24,735
	<u>134,385</u>	<u>102,604</u>
<i>By activity</i>		
Exports	<u>134,385</u>	<u>102,604</u>
	<u>134,385</u>	<u>102,604</u>
<p>The Company has the following branches: Maersk Supply Service AS – Ghana Branch* Maersk Supply Service AS – Norway Branch* Maersk Supply Service AS – Ivory Coast Branch Maersk Supply Service AS – Australia Branch Maersk Supply Service AS – UK Branch</p> <p><i>*no activity in 2019</i></p>		
5 Staff costs		
Wages and salaries	62,751	51,353
Pension costs	5,003	5,196
Other social security costs	1,028	667
Other staff costs	296	1,125
	<u>69,078</u>	<u>58,341</u>
Average number of employees	<u>719</u>	<u>719</u>

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 (continued)

Amounts in USD 1,000

	<u>2019</u>	<u>2018</u>
6 Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	1,944	1,398
Depreciation of vessels, plant and machinery	26,452	29,877
Impairment losses vessels, plant and machinery	<u>17,778</u>	<u>140,272</u>
	<u>46,174</u>	<u>171,547</u>
7 Other financial income		
Financial income arising from group enterprises	314	399
Exchange rate adjustments	<u>227</u>	<u>412</u>
	<u>541</u>	<u>811</u>
8 Impairment of financial assets		
Impairment of financial assets comprises write down on Investments in subsidiaries and joint ventures.		
9 Other financial expenses		
Financial expenses from group enterprises	46,455	60,465
Exchange rate adjustments	0	883
Other financial expenses	<u>320</u>	<u>4,457</u>
	<u>46,775</u>	<u>65,805</u>
10 Tax		
Tax on current year taxable income	1,410	5,904
Adjustments concerning previous years	<u>2,620</u>	<u>(587)</u>
	<u>4,030</u>	<u>5,317</u>
11 Proposed distribution of profit/loss		
Retained earning	(103,846)	(491,358)
Dividend	<u>0</u>	<u>0</u>
	<u>(103,846)</u>	<u>491,358</u>

NOTES (continued)

Amounts in USD 1,000

12 Intangible assets	Software	Dev.project in progress
Cost:		
1 January 2019	24,506	0
Additions	<u>3,061</u>	<u>1,653</u>
31 December 2019	<u>27,567</u>	<u>1,653</u>
Amortisation and impairment losses:		
1 January 2019	(19,547)	0
Amortisation for the year	<u>(1,944)</u>	<u>0</u>
31 December 2019	<u>(21,490)</u>	<u>0</u>
Carrying amount 31 December 2019	<u>6,077</u>	<u>1,653</u>

The development project in progress is aimed at supporting the offshore wind industry. The project is recognised based on time recordings. Management has a business case for the project, which is progressing as planned and it is expected that the project will be sold to new and current customers.

13 Vessels, plant and machinery	Plant and machinery	Vessels	Prepayments for Vessels
Cost:			
1 January 2019	5,416	1,742,102	59,695
Transfers	0	136,338	(136,338)
Additions	0	111,179	77,907
Disposals	<u>0</u>	<u>(62,643)</u>	<u>0</u>
31 December 2019	<u>5,416</u>	<u>1,926,976</u>	<u>1,264</u>
Depreciations and impairment losses:			
1 January 2019	(1,914)	(1,373,714)	(54,833)
Trsf. from onerous contract prov.	0	(29,550)	0
Transfers	0	(54,833)	54,833
Impairment losses for the year	0	(17,778)	0
Reversed regarding disposal	0	52,427	0
Depreciation for the year	<u>(344)</u>	<u>(26,108)</u>	<u>0</u>
31 December 2019	<u>(2,258)</u>	<u>(1,449,556)</u>	<u>0</u>
Carrying amount 31 December 2019	<u>3,158</u>	<u>477,420</u>	<u>1,264</u>

Carrying amount of leased fixed assets are 0 thousand USD (2018: 3.307 thousands USD).

NOTES (continued)

Amounts in USD 1,000

14 Fixed Assets Investments	Investm. in subs.	Investm. in joint vent.	Other investments
Costs:			
1 January 2019	945,811	2,000	2,566
Additions	<u>21,440</u>	<u>4,000</u>	<u>10,209</u>
31 December 2019	<u>967,251</u>	<u>6,000</u>	<u>12,775</u>
Impairment losses:			
1 January 2019	(527,916)	0	0
Impairment losses for the year	<u>(186,354)</u>	<u>(3,182)</u>	<u>0</u>
31 December 2019	<u>(714,270)</u>	<u>(3,182)</u>	<u>0</u>
Carrying amount 31 December 2019	<u>252,981</u>	<u>2,818</u>	<u>12,775</u>

	Regi- stered in	Corpo- rate form	Equity interest %	Equity USD 1,000	Profit/loss USD 1,000
<i>Investment in subsidiaries comprise:</i>					
Maersk Supply Service International A/S**	Denmark	A/S	100%	221,569	(37,624)
Maersk Supply Service Nigeria A/S **	Denmark	A/S	100%	(2,490)	12
Maersk Supply Service Canada Ltd. ***	Canada	Ltd.	100%	N/A	N/A
Maersk Supply Service Nova Scotia Ltd. ***	Canada	Ltd.	100%	N/A	N/A
Maersk Supply Service UK Ltd. *	UK	Ltd.	100%	306,774	(291,742)
Maersk Supply Service Subsea UK Ltd. *	UK	Ltd.	100%	265,723	(287,075)
Maersk Crewing Australia Pty. *	Australia	Ltd.	100%	40	(36)
Maersk Supply Service France SAS *	France	SAS	100%	(2,585)	(2,407)
Maersk Supply Service Singapore Ltd. ***	Singapore	Ltd.	100%	N/A	N/A
Maersk Supply Service Philippines A/S **	Denmark	A/S	100%	493	35
Maersk Supply Service (Angola) S.A. *	Angola	S.A.	49%	(2,967)	(1,756)
Maersk Supply Service Brazil Holdings A/S	Denmark	A/S	100%	132	(88)
Maersk Supply Service Apolo Maritimo Ltda. *	Brazil	Ltda.	100%	8,798	(12,020)
Maersk Supply Service America Latina Servicios Maritimos Ltda. ***	Brazil	Ltda.	100%	N/A	N/A
Maersk Supply Service Mexico Holdings S. de R. L. de C.V. ***	Mexico	S.de R.L. de C.V.	100%	N/A	N/A
Maersk Supply Service Mexico S.A. de C.V. ***	Mexico	SA de CV	49%	N/A	N/A
Maersk Supply Service Equatorial Guinea SAS***	Eq. Guinea	S.A.S	65%	N/A	N/A
Maersk Supply Service West Africa A/S **	Denmark	A/S	100%	32,330	(2,932)
Maersk Supply Service Griffon Ghana Ltd. ***	Ghana	Ltd.	90%	N/A	N/A
Maersk Supply Service Integrated Solutions A/S **	Denmark	A/S	100%	733	(370)
<i>Investment in joint ventures comprise:</i>					
Maersk Decom A/S **	Denmark	A/S	50%	5,389	(4,291)
Maersk Decom Mauritania A/S ***	Denmark	A/S	50%	N/A	N/A

* 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).

** Annual Report 2019 (converted from local currency to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2019, and the profit is calculated using the average exchange rate for 2019).

*** No published financial statements available.

NOTES (continued)

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 3 million (2018: USD 2 million) are expected to mature within one year (USD 2 million) and within 2-5 years (USD 1 million). Provisions are recognised based on specific estimates and amounts may vary, as these are uncertain.

Remaining Other provisions includes tax provisions of USD 15 million (2018: USD 15 million) maturing within 2-5 years and USD 0 million (2018: USD 30 million) in provision regarding loss making CAPEX contracts maturing within 1 year.

17 **Other Payables**

Other Payables are expected to mature within 2-5 years.

18 **Financial instruments**

Forward exchange contracts:

The forward exchange contracts have been concluded to hedge future OPEX and purchases of vessels in NOK. The expected purchases of vessels have been hedged corresponding to an amount of USD 0 million (2018: USD 69 million). The maturity of the hedging Instruments coincides as closely as possible with the expected payment date. The fair value of the forward exchange contracts amounts to a loss of USD 0.3 million (2018: fair value of USD -4.1 million) at the balance sheet date.

19 **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 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 Company 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.

NOTES (continued)

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

Office lease obligation amounts to USD 0.8m (maturing within 1 year).

The Company has issued support letter to subsidiary Maersk Supply Service International A/S.

Apart of customary risk to operations, there are no other contingent liabilities at 31 December 2019.

20 **Contractual obligations**

As of 31 December 2019, the Company has outstanding commitments of USD 0 million related to vessels contracted (2018: USD 74 million).

21 **Related parties with controlling interest**

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

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.

22 **Transactions with related parties**

All transactions with related parties are made on markets terms.

23 **Group relations**

Name and registered office of the Parent Company 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 Report are presented in American dollars (USD). The exchange rate of USD to DKK was 6.676 at 31 December 2019 (2018: DKK 6.521).

No Consolidated Financial Statements have been prepared, cf. section 112(1) of the Danish Financial Statements Act. The Annual Report of Maersk Supply Service A/S and its group enterprises are included in the Consolidated Financial Statements for A.P. Møller - Mærsk A/S, Denmark, CVR no. 22 75 62 14.

Pursuant to section 96(3) of the Danish Financial Statements Act, the Company has chosen not to disclose 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 Financial Statements of A.P. Møller - Mærsk A/S.

Recognition and measurement in general

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 Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Company 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 Company, 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.

ACCOUNTING POLICIES (CONTINUED)

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 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.

ACCOUNTING POLICIES (CONTINUED)

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 Company's primary activities, including gain on divestments of vessels.

Other operating expenses

Other operating income comprises income of a secondary nature as viewed in relation to the Company's primary activities, including loss on divestments of vessels.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including expenses for 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.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relates to vessels, plant and machinery, and intangible assets for the financial year.

ACCOUNTING POLICIES (CONTINUED)

Other financial income

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

Dividend received

Dividends from subsidiaries are recognised at the time of receipt.

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 other Danish companies in the A.P. Møller Holding A/S group. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance sheet

Intangible assets

Software and development projects in progress are measured at cost price and are amortised from the time it is ready to be put into operation on straight-line basis over the useful life, max. 5 years.

Vessels, plant and machinery

Vessels, plant and machinery 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:

Vessels 20 years
Other 3-10 years

ACCOUNTING POLICIES (CONTINUED)

Estimated useful lives and residual values are reassessed annually.

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.

Investments in Joint Ventures

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

Other investments

Other investments comprising unlisted Equity Investments are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

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 receivable or payable

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.

Prepayments

Prepayments include prepaid costs, including mainly prepaid insurances.

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

ACCOUNTING POLICIES (CONTINUED)

recognised in the Income statement as a financial expense over the term of the leases.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other financial liabilities

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