

Maersk Supply Service A/S

Esplanaden 50
DK-1263 Copenhagen K

**Central Business Registration
No. 31414377**

Annual Report 2020

The Annual General Meeting adopted the Annual Report on 25.05.2021.

Chairman of the General Meeting

DocuSigned by:
Lene Blume Larsen
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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 2020 - 31 December 2020

Board of Directors

Henriette Hallberg Thygesen (Chairman)
Johan Pedersson Hay Uggla
Magnus Joakim Warholm
Philippe Matthieu Kegam Kavafyan

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 2020.

The Annual Report for 2020 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 2020 of the Company and of the results of the Company operations for 2020.

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, 25 May 2021

Executive Board

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Steen S. Karstensen
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Steen Strøm Karstensen

Board of Directors

DocuSigned by:
Henriette Hallberg Thygesen
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Henriette Hallberg Thygesen
(Chairman)

DocuSigned by:
Magnus Warholm
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Magnus Joakim Warholm

DocuSigned by:
Johan Pedersson Hay Uggle
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Johan Pedersson Hay Uggle

DocuSigned by:
Philippe Kavafyan
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Philippe Matthieu Kegam Kavafyan

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 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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)

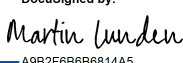
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 25 May 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

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Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

DocuSigned by:

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Martin Lunden
State Authorised Public Accountant
mne32209

MANAGEMENT'S COMMENTARY

Key figures and financial highlights

(amounts in USD million)

	2020	2019	2018	2017	2016
Revenue	135	134	103	113	230
Gross profit/loss	92	71	132	44	45
Operating profit/loss	(77)	(44)	(98)	(104)	(1,112)
Financial items, net	2	(64)	(399)	(205)	(6)
Profit/loss for the year	(76)	(104)	(491)	(316)	(1,114)
Total assets	852	888	964	1,083	960
Investments in vessels, plant and machinery	157	189	446	442	118
Total equity	386	460	(139)	(1)	313
Gross margin (%)	68.0	53.0	128.6	38.6	19.6
Profit margin (%)	(57.0)	(32.8)	(95.4)	(15.6)	(472.3)
Return on equity (%)	(18.2)	(64.8)	-	(202.9)	(139.6)
Equity ratio (%)	45.3	51.8	(15.8)	(0.1)	32.6
Return on assets (%)	(9.0)	(5.0)	(10.2)	0.1	(168.7)

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 2020, the Company's fleet comprises 25 vessels.

Development in activities and finances

The Income Statement of the Company for 2020 shows a loss of USD 76 million (2019: loss 104 million) and at 31 December 2020 the balance sheet of the Company shows an equity of USD 386 million (2019: USD 460 million). The result for 2020 include dividend receipt of USD 80 million (2019: USD 172 million) partly offset against impairment write downs on vessels USD 73 million (2019: USD 18 million) and impairment write downs on investments in subsidiaries and joint ventures of USD 60 million (2019: USD 189 million). Adjusted for impairment write down on vessels, subsidiaries and joint ventures and received dividend, the loss for 2020 of USD 22 million was lower than the loss for 2019 of USD 69 million. This is primarily due to increase in net gains on divested vessels, reduced operating costs and reduced financial costs.

The result is negatively impacted by Covid-19 (mainly reduction in revenue and increased crew cost), and is positively impacted by reduced onshore costs, as announced in May 2020. The outlook for 2020 was last year subject to significant uncertainty due to Covid-19 and it was not possible to give a reliable estimate at the time of publishing the accounts. The revenue and result for 2020 was as expected negatively impacted Covid-19.

Investments

During 2020, no major investments has been made, thus the investments during the year is mainly related to Drydocking, modification on vessels and IT software.

The Company started a minor development project in 2018/19, with the aim of supporting the offshore wind business in the future. This development project has been divested during the year with a minor gain.

Outlook

The industry continues to be characterised by oversupply and difficult market conditions in the short-term. Recovery was cut short in 2020 with the advent of the COVID-19 pandemic and the sharp decline in oil prices, both significant drivers of demand in the offshore industry. The Company expects a U-shaped recovery in the near future, as E&P spending is expected to increase on the back of the rising oil prices and improving cash flow outlooks of customers. Renewables (offshore wind) is also expected to become an ever more important source of vessel demand.

The Company's outlook for the near future will continue to be negatively impacted by the COVID-19 pandemic, and the measures taken by governments around the world to limit the effect of the outbreak. For 2021 revenue is expected to improve some compared to 2020 but remains subject to market conditions. Net result is still expected to be negative, and at same level as in 2020 (excluding impairments and sale of vessels).

The outlook for 2021 is subject to uncertainties related to COVID-19, vessels rates etc., given the uncertain macroeconomics conditions.

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. Market turmoil following COVID-19 and the subsequent decrease in oil prices negatively impacted the OSV market and prompted a review of our asset values. Impairment of our asset base of USD 73m was recognised during 2020.

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 more than expected, 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 2020, Maersk Supply Service Group, like the rest of the world, was significantly affected by the COVID-19 pandemic. Despite this, 2020 signified another year with strong safety performance. Not only did Maersk Supply Service not endure any Lost Time Injuries (LTI) during the entire year of 2020, but Total Recordable Case Frequency (TRCF) was sustained at a very low level both in terms of actual numbers and potential consequences. The TRCF for 2020 was 1.29. This reflecting a total number of seven cases compared to six cases during 2019.

Maersk Supply Service safety performance was supported by several safety related initiatives. Firstly, the "Safety 2.0" initiative was continued for all vessels. "Safety 2.0" focused on creating further safety robustness and capacity of safe mistakes around day to day operations. Here ideas uncovered during the 2019 Maersk Supply Service ideas campaign, along with new ideas identified by offshore crews were implemented across Maersk Supply Service vessels. A total of

MANAGEMENT'S COMMENTARY (CONTINUED)

153 Safe Mistake improvement projects were implemented across the Maersk Supply Service fleet in 2020. This signifying a fleet average of 5.1 projects per vessel. With the great success seen during 2020, it was decided to continue with the Safe Mistake approach in 2021.

Next, 2020 also saw a very strong focus on the addressing COVID-19 challenges. Here the Maersk Supply Service organization responded with several mitigations in order to ensure the safety of seafarers, as well as the continued running of Maersk Supply Service operations. Initiatives included: development and continuous update of COVID-19 procedures, development of infectious disease plans, completion of COVID-19 specific tabletop exercises on all Maersk Supply Service vessels, and the development and roll out of numerous fatigue management initiatives. Taking into consideration the magnitude of the COVID-19 pandemic, Maersk Supply Service has fared well during the COVID-19 challenges that has so severely affected the global community in 2020.

Environmental performance

Further to a strong safety performance, Maersk Supply Service also saw significant positive environmental developments during 2020. Environmental highlights from 2020 included both the development of a new and very ambitious environmental strategy, the development of a determined corporate plastic policy, and a further push towards reduction in CO₂-emissions. During 2020, energy efficiency efforts resulted in a 17% reduction beyond the set target. This fitting well with the Maersk Supply Services long-term strategy and focus on CO₂-reduction.

For other environmental measures, 2020 spills performance also brought a continuation of the positive environmental results seen for Maersk Supply Service in 2019. While 2020 did see an increase in LOPC in relation ROV- and crane-operations, these for the most part resulted in spills contained on board (28% increase compared to 2019), and with only a very limited number of incidents having a direct impact to the external environment. Thus, reducing the external spill frequency in Maersk Supply Service from 1,20 in 2019 to 0,60 in 2020. Moreover, with volumes of contained spills at the same time being reduced by 76% clearly underlining the operational capabilities for recovery, as well as the ability to continuously learn and improve from incidents.

In terms of garbage and waste management on our vessels, significant reduction has been recorded in 2020. The amount of oily waste (sludge) generated on vessels went down by 17% as compared to the sludge produced in 2019. Similarly, plastic waste generation was slashed by 19% in 2020. Focus on plastic policy and environmental consciousness has been a major driving force here.

Moreover, Maersk Supply Service vessels work closely in observing and implementing improvement opportunities. They develop 2 vessel specific improvement initiatives every year, one focusing on the energy efficiency aspect and the other on a specific environmental objective/project. These are shared across the fleet on a platform called NOSCO as COBIs (Continuous Onboard Improvements) and often act as an inspiration for other vessels in setting respective annual objectives. In 2020, all operating vessels established super initiatives resulting in better collaboration and crew engagement.

MANAGEMENT'S COMMENTARY (CONTINUED)

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

Concerning compliance with section 99a 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 has reached equal gender representation on its Board of Directors in accordance with section 99b of the Danish Financial Statements Act.

In 2020 Maersk Supply Service launched the first diversity & inclusion policy which aims to increase underrepresented gender and minority groups and create an inclusive culture. In early 2021 the policy was followed by the diversity & inclusion plan outlining the long-term targets and related initiatives.

With the above, Maersk Supply Service have fulfilled the first and primary obligation in the charter for more women in shipping signed with Danish Shipping in January 2020 and will now work focused on delivering the targets.

While Maersk Supply Service Group is dedicated to the initiatives and targets of more women in shipping and in leadership, the current business climate in the O&G sector and expected reduction in recruitments in 2021 will likely prolong the time to achieve goals of diversity.

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 2020 of the Company and the results of the activities of the Company for the financial year for 2020 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

For other Investments, comprised of Equity Investments in a non-listed foreign company, measured at cost price USD 18m, this company has in March 2021 announced an expected merger with a listed US company. The merger is subject to Governmental approval and is expected to be completed in second quarter of 2021.

In addition, the loan agreement with the Parent Company, A.P. Møller – Mærsk A/S was extended in May 2021. Please refer to note 18 for further description.

No other events have occurred after the reporting date of importance to the Annual Report.

INCOME STATEMENT

Amounts in USD 1,000

Note		<u>2020</u>	<u>2019</u>
4	Revenue	134,831	134,385
	Other operating income	40,091	19,996
	Other external expenses	<u>(62,912)</u>	<u>(75,459)</u>
	Gross profit/loss	112,010	78,922
5	Staff costs	(66,870)	(69,078)
6	Depreciation, amortisation and Impairment losses	(101,492)	(46,174)
	Other operating expenses	<u>(20,191)</u>	<u>(7,777)</u>
	Operating profit/loss	(76,543)	(44,107)
7	Other financial income	479	541
	Dividends received	80,000	172,000
8	Impairment of subsidiaries	(58,477)	(186,354)
8	Impairment of joint ventures	(1,989)	(3,182)
9	Other financial expenses	<u>(18,052)</u>	<u>(46,775)</u>
	Profit/loss before tax	(74,582)	(107,877)
10	Tax	<u>(1,598)</u>	<u>4,031</u>
11	Profit/loss for the year	<u>(76,180)</u>	<u>(103,846)</u>

BALANCE SHEET 31 DECEMBER

Amounts in USD 1,000

Assets	2020	2019
Note		
Software	5,767	6,077
Development project in progress	0	1,653
12 Intangible asset	5,767	7,730
Plant and machinery	2,813	3,158
Vessels	488,023	477,420
Prepayments for vessels	3,796	1,264
13 Vessels, plant and machinery	494,632	481,842
Investments in subsidiaries	218,103	252,981
Investments in joint ventures	1,830	2,818
Other investments	17,895	12,775
14 Fixed asset investments	237,828	268,574
Fixed Assets	738,227	758,146
Raw materials and consumables	2,054	513
Manufactured goods and goods for resale	6,398	6,884
Inventories	8,452	7,397
Trade receivables	35,331	25,330
Receivables from affiliated companies	65,012	88,649
Other receivables	1,170	2,252
Income tax receivable	1,929	3,875
Prepayments	1,703	2,118
Receivables	105,145	122,224
Cash	138	342
Current assets	113,735	129,963
Assets	851,962	888,109

BALANCE SHEET 31 DECEMBER (continued)

Amounts in USD 1,000

Equity and liabilities

	<u>2020</u>	<u>2019</u>
15		
Share capital	100,000	100,000
Hedges	1,120	(314)
Reserve – Development Project	0	1,653
Retained earnings	<u>284,563</u>	<u>359,090</u>
Total equity	<u>385,683</u>	<u>460,429</u>
16		
Other provisions	<u>16,027</u>	<u>18,198</u>
Provisions	<u>16,027</u>	<u>18,198</u>
17		
Other payables	<u>0</u>	<u>657</u>
Non-current liabilities	<u>0</u>	<u>657</u>
18		
Trade payables	21,015	22,498
Payables to affiliated companies	408,669	371,632
Income tax payable	1,222	778
Other payables	<u>19,346</u>	<u>13,917</u>
Current liabilities	<u>450,252</u>	<u>408,825</u>
Liabilities other than provisions	<u>450,252</u>	<u>409,482</u>
Equity and liabilities	<u>851,962</u>	<u>888,109</u>

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

STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1,000

	Share capital	Reserve Dev.Proj.	Hedges	Retained earnings	Total
1 January 2020	100,000	1,653	(314)	359,090	460,429
Fair value adjustment of Hedging	-	-	1,434	-	1,434
Reserve Dev.Project		-1,653		1,653	0
Profit for the year	-		-	(76,180)	(76,180)
31 December 2020	100,000	0	1,120	284,563	385,683

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 2020 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 2021.

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 2020 is net USD 73 million (2019: USD 18 million (net)) and impairment on Investments in subsidiaries of USD 60 million (2019: USD 190 million), offset by received dividend of USD 80 million (2019: USD 172 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 more than expected, reversals of impairment on vessels and subsidiaries may be recognised in the coming years.

3 **Event after the balance sheet date**

For other Investments, comprised of Equity Investments in a non-listed foreign company, measured at cost price USD 18m, this company has in March 2021 announced an expected merger with a listed US company. The merger is subject to Governmental approval and is expected to be completed in second quarter of 2021.

In addition, the loan agreement with the Parent Company, A.P. Møller – Mærsk A/S was extended in May 2021. Please refer to note 18 for further description.

No other events have occurred after the reporting date of importance to the Annual Report.

NOTES (continued)

Amounts in USD 1,000

	<u>2020</u>	<u>2019</u>
4 Revenue		
<i>By geographical market</i>		
Europe	56,870	67,916
Asia and Pacific	27,404	32,856
Africa	27,978	19,043
North America	14,346	10,201
South America	8,233	4,369
	<u>134,831</u>	<u>134,385</u>
<i>By activity</i>		
Exports	<u>134,831</u>	<u>134,385</u>
	<u>134,831</u>	<u>134,385</u>
The Company has the following branches: 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 Maersk Supply Service AS – Nigeria Branch Maersk Supply Service AS – Ghana Branch*		
<i>*no activity in 2020</i>		
5 Staff costs		
Wages and salaries	60,674	62,751
Pension costs	4,917	5,003
Other social security costs	1,103	1,028
Other staff costs	176	296
	<u>66,870</u>	<u>69,078</u>
Average number of employees	<u>799</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>2020</u>	<u>2019</u>
6 Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	2,315	1,944
Depreciation of vessels, plant and machinery	25,970	26,452
Impairment losses vessels, plant and machinery	<u>73,207</u>	<u>17,778</u>
	<u>101,492</u>	<u>46,174</u>
7 Other financial income		
Financial income arising from group enterprises	122	314
Exchange rate adjustments	<u>357</u>	<u>227</u>
	<u>479</u>	<u>541</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	15,549	46,455
Exchange rate adjustments	41	0
Other financial expenses	<u>2,462</u>	<u>320</u>
	<u>18,052</u>	<u>46,775</u>
10 Tax		
Tax on current year taxable income	(1,046)	1,410
Adjustments concerning previous years	<u>(552)</u>	<u>2,620</u>
	<u>(1,598)</u>	<u>4,030</u>
11 Proposed distribution of profit/loss		
Retained earning	(76,180)	(103,846)
Dividend	<u>0</u>	<u>0</u>
	<u>(76,180)</u>	<u>(103,846)</u>

NOTES (continued)

Amounts in USD 1,000

12 Intangible assets	Software	Dev. project in progress
Cost:		
1 January 2020	27,567	1,653
Additions	2,005	1,387
Disposal	<u>0</u>	<u>(3,040)</u>
31 December 2020	<u>29,572</u>	<u>0</u>
Amortisation and impairment losses:		
1 January 2020	(21,490)	0
Amortisation for the year	<u>(2,315)</u>	<u>0</u>
31 December 2020	<u>(23,805)</u>	<u>0</u>
Carrying amount 31 December 2020	<u>5,767</u>	<u>0</u>

The Company started a minor development project in 2018/19, with the aim of supporting the offshore wind business in the future. This development project has been divested during the year.

13 Vessels, plant and machinery	Plant and machinery	Vessels	Prepayments for Vessels
Cost:			
1 January 2020	5,416	1,926,976	1,264
Transfers	0	3,292	(3,292)
Additions	0	151,000	5,824
Disposals	<u>0</u>	<u>(237,951)</u>	<u>0</u>
31 December 2020	<u>5,416</u>	<u>1,843,317</u>	<u>3,796</u>
Depreciations and impairment losses:			
1 January 2020	(2,258)	(1,449,556)	0
Impairment losses for the year	0	(73,207)	0
Reversed regarding disposal	0	193,093	0
Depreciation for the year	<u>(346)</u>	<u>(25,624)</u>	<u>0</u>
31 December 2020	<u>(2,604)</u>	<u>(1,355,294)</u>	<u>0</u>
Carrying amount 31 December 2020	<u>2,813</u>	<u>488,023</u>	<u>3,796</u>

Carrying amount of leased fixed assets are 0 thousand USD (2019: 0 thousand USD).

NOTES (continued)

Amounts in USD 1,000

14	Fixed Assets Investments	Investm. in subs.	Investm. in joint vent.	Other investments
	Costs:			
	1 January 2020	967,251	6,000	12,775
	Additions	23,600	1,000	5,120
	31 December 2020	990,851	7,000	17,895
	Impairment losses:			
	1 January 2020	(714,271)	(3,182)	0
	Impairment losses for the year	(58,477)	(1,989)	0
	31 December 2020	(772,748)	(5,171)	0
	Carrying amount 31 December 2020	218,103	1,830	17,895

	Registered in	Corporate 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%	202,235	(37,160)
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%	211,433	27,469
Maersk Supply Service Subsea UK Ltd. *	UK	Ltd.	100%	194,040	30,817
Maersk Crewing Australia Pty. *	Australia	Ltd.	100%	(76)	(114)
Maersk Supply Service Singapore Ltd. ***	Singapore	Ltd.	100%	N/A	N/A
Maersk Supply Service Philippines A/S **	Denmark	A/S	100%	543	50
Maersk Supply Service (Angola) S.A. *	Angola	S.A.	49%	(4,993)	(2,047)
Maersk Supply Service Brazil Holdings A/S	Denmark	A/S	100%	7	(125)
Maersk Supply Service Apoio Maritimo Ltda. *	Brazil	Ltda.	100%	6,767	(1,309)
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%	17,277	(15,053)
Maersk Supply Service Griffon Ghana Ltd. ***	Ghana	Ltd.	90%	N/A	N/A
Maersk Supply Service Integrated Solutions A/S **	Denmark	A/S	100%	833	100
<i>Investment in joint ventures comprise:</i>					
Maersk Decom A/S **	Denmark	A/S	50%	3,571	(3,818)
Maersk Decom Mauritania A/S**	Denmark	A/S	50%	(93)	(152)

* 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).

** Annual Report 2020 (converted from local currency to USD, share capital and equity has been calculated using the exchange rates as of 31 December 2020, and the profit is calculated using the average exchange rate for 2020).

*** 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 and disputes on taxes and duties.

Other provisions of USD 3 million (2019: USD 3 million) are expected to mature within one year (USD 2 million) and within 2-5 years USD 0 million (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 13 million (2019: USD 15 million) maturing within 2-5 years.

17 **Other Payables**

Other Payables (2019) were expected to mature within 2-5 years.

18 **Payables to affiliated companies**

Payables to affiliated companies includes a loan of USD 394 million from the Parent Company, A.P. Møller - Mærsk A/S. In May 2021, an amendment was made, consequently the repayment date is postponed to May 2023 resulting in the loan being non-current going forward.

19 **Financial instruments**

Forward exchange contracts:

The forward exchange contracts have been concluded to hedge future OPEX. The fair value of the forward exchange contracts amounts to a positive fair value of USD 1.1 million (2019: fair value of USD -0.3 million) at the balance sheet date.

20 **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 0.9m (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 2020.

21 **Contractual obligations**

As of 31 December 2020, the Company has no contractual commitments.

22 **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.

Transactions with related parties:

All transactions with related parties are made on markets terms.

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 6.052 at 31 December 2020 (2019: DKK 6.676).

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.