Maersk Supply Service West Africa A/S

Esplanaden 50, DK-1098 Copenhagen K

Company reg. no. 35 23 95 10

Annual report

1 January - 31 December 2016

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

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Ida Marie Schydt
Chairman of the meeting

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

Management's Report

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

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

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

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

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

Copenhagen, 30 May 2017

Executive Board

Søren Torp Nielsen

Board of Directors

Kasper Mahon Andreasen Chairman	Claus Bachmann	Carsten Gram Haagensen

The Independent Auditor's Reports

To the shareholder of Maersk Supply Service West Africa A/S

Opinion

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

We have audited the Financial Statements of Maersk Supply Service West Africa A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Hellerup, 30 May 2017

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

Thomas Wraae Holm	Martin Lunden
State Authorised Public Accountant	State Authorised Public Accountant

Company Data

The Company	Maersk Supply Service West Africa A/S Esplanaden 50 DK-1098 Copenhagen K
	Company reg. no. 35 23 95 10 Financial year: 1 January - 31 December Municipality of reg. office: Copenhagen
Board of Directors	Kasper Mahon Andreasen, Chairman Claus Bachmann Carsten Gram Haagensen
Executive Board	Søren Torp Nielsen
Auditors	PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

USD in thousands.	2016	2015	2014	2013
Profit/loss:				
Revenue	17.769	21.843	29.089	16.971
Gross profit	12.935	17.278	13.076	10.746
Operating profit	-25.716	13.619	9.417	8.000
Net financials	68	-434	-10	55
Results for the year	-26.829	11.893	8.892	8.020
Balance sheet:				
Balance sheet sum	73.690	41.805	35.082	34.142
Investments in tangible fixed assets represent	58.327	1	3	69.973
Equity	72.590	41.058	29.165	20.273
Key figures in %:				
Gross margin	72,8	79,1	45,0	63,3
Profit margin	-144,7	62,3	32,4	47,1
Return on assets	-182,8	32,6	26,8	23,4
Solvency ratio	98,5	98,2	83,1	59,4
Return on equity	-47,2	33,9	36,0	79,1

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

Gross margin

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

Profit margin

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

Return on assets

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

Solvency ratio

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

Return on equity

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

The principal activities of the company

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

Development in activities and financial matters

The Income Statement of the Company for 2016 shows a loss of USD 27 million and at 31 December 2016 the balance sheet of the Company shows equity of USD 73 million.

The result for 2016 amounted to a loss of USD 27 million compared to a profit of USD 12million in 2015. The result for 2016 included impairment write downs amounting to USD 35 million. The result was significantly worse than expected due to the declining market.

Capital increase

The vessels Maersk Tracer and Maersk Trader was transferred to Maersk Supply Service West Africa A/S at cost price during 2016 as a capital injection from Maersk Supply Service A/S amount to USD 58 million.

The expected development

The markets we operate in are under severe pressure with activities dropping to historical low activity levels as a result of the lower oil price. As a response to the development, we have initiated further cost cutting activities. Driven by the significant market decline, a result (adjusted for impairment write down) lower than that of 2016 is expected in 2017.

Special risks

Market risks:
There is no significant dependency on particular customers or suppliers. The Company has no significant credit risks. The main risks to the Group's performance and strategy execution relate to future operational performance. Impairment indicators in Maersk Supply Service West Africa A/S are lower day rates on new contracts and a decline in fair values of vessels.

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

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

Uncertainties as to recognition or measurement

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

Events subsequent to the financial year

No events have occurred after 31 December 2016 which may significantly affect the financial year 2016.

Income Statement 1 January - 31 December

USD in thousands.

Note		2016	2015
	Revenue	17.769	21.843
	Other external expenses	-4.834	-4.565
	Gross results	**12.935**	**17.278**
2	Depreciation, amortisation and impairment of intangible assets and vessels, plant and equipment	-38.651	-3.659
	Profit/loss before financial income and expenses	**-25.716**	**13.619**
3	Other financial income	87	7
4	Other financial expenses	-19	-441
	Profit/loss before tax	**-25.648**	**13.185**
5	Tax on profit/loss for the year	-1.181	-1.292
6	**Results for the year**	**-26.829**	**11.893**

Balance Sheet 31 December

USD in thousands.

Note	Assets	2016	2015
	Fixed assets		
7	Vessels	41.715	22.039
	Tangible fixed assets in total	41.715	22.039
	Fixed assets in total	**41.715**	**22.039**
	Current assets		
	Trade receivables	4.862	5.487
	Receivables from group enterprises	27.055	14.167
	Corporation tax	0	99
	Other receivables	58	13
	Receivables in total	31.975	19.766
	Current assets in total	**31.975**	**19.766**
	Assets in total	**73.690**	**41.805**

Balance sheet 31 December

USD in thousands.

Note	Equity and liabilities	2016	2015
	Equity		
8	Share capital	858	857
	Retained earnings	71.732	40.201
	Equity in total	**72.590**	**41.058**
	Provisions		
9	Other provisions	383	0
	Provisions in total	**383**	**0**
	Liabilities		
	Trade payables	311	362
	Payables to group enterprises	301	374
	Corporation tax	93	0
	Other payables	12	11
	Short-term liabilities in total	717	747
	Liabilities in total	**717**	**747**
	Equity and liabilities in total	**73.690**	**41.805**

1 Special items

10 Contingencies

11 Related parties

Statement of Changes in Equity

USD in thousands.

	Share capital	Retained earnings	In total
Equity 1 January 2016	857	40.201	41.058
Profit or loss for the year brought forward	0	-26.829	-26.829
Capital increase	1	58.360	58.361
	858	**71.732**	**72.590**

Notes

USD in thousands.

1. Special items

Special items include significant impairment of vessels amount to USD 35 million.

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

		2016	2015
2.	**Depreciation, amortisation and impairment of intangible assets and vessels, plant and equipment**		
	Depreciation of vessels, plant and equipment	3.635	3.659
	Impairment of vessels, plant and equipment	35.016	0
		38.651	**3.659**
3.	**Other financial income**		
	Interest received from group enterprises	87	7
		87	**7**
4.	**Other financial expenses**		
	Financial expenses, group enterprises	0	421
	Exchange loss	11	19
	Other financial expenses	8	1
		19	**441**
5.	**Tax on profit/loss for the year**		
	Current tax for the year	1.171	1.290
	Adjustment of tax for previous years	10	2
		1.181	**1.292**

USD in thousands.

	2016	2015

6. Proposed distribution of the results

	2016	2015
Disposed to retained earnings	0	11.893
Disposed from retained earnings	-26.829	0
Distribution in total	**-26.829**	**11.893**

7. Vessels

	2016	2015
Cost 1 January 2016	69.977	69.976
Additions during the year	58.327	1
Cost 31 December 2016	**128.304**	**69.977**
Depreciation and impairment 1 January 2016	-47.938	-44.279
Depreciation for the year	-3.635	-3.659
Impairment for the year	-35.016	0
Depreciation and impairment 31 December 2016	**-86.589**	**-47.938**
Book value 31 December 2016	**41.715**	**22.039**

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

8. Share capital

The share capital consists of 5,001 shares of a nominal value of DKK 1.000, equal to USD '000 858. No shares carry any special rights.

In 2016 the share capital has been increased by 1 share of a nominal value of DKK 1.000 at a price of DKK 41.149.882,60.

9. Other provisions

	2016	2015
Change of the year in other provisions	383	0
	383	**0**

Other provisions comprising redundancy for crew (off-shore) of USD 0,4 million are expected to mature within one year. Provisions are recognized based on specific estimates and may vary, as these are uncertain.

USD in thousands.

10. Contingencies

Joint taxation

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

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

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

11. Related parties

Controlling interest

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

Other related parties

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

The Company's related parties include the members of the Board of Directors, Management and the key executives, as well as the related family members of these persons. Related parties also include companies in which the above-mentioned persons have a significant interest.

Transactions

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

Consolidated Annual Accounts

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

Accounting Policies used

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

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

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

Recognition and measurement in general

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation of foreign currency

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement. Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

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

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

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

Other external expenses

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

Amortisation, depreciation and impairment losses

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

Financial income and expenses

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

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

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

The Balance Sheet

Vessels, plant and equipment

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

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Expenses for dry docking of the vessel is recognised when incurred in the carrying amount of the vessel, etc. and depreciated over the period until next dry docking.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Vessels	20 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account.

Other provisions

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

Liabilities

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