


**Maersk Supply Service
West Africa A/S**
Esplanaden 50
1263 Copenhagen K
Central Business Registration No
35239510

Annual report 2018

The Annual General Meeting adopted the annual report on 16.05.2019

Chairman of the General Meeting



Name: Ida Marie Schydt

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Entity details

Entity

Maersk Supply Service West Africa A/S
Esplanaden 50
1263 Copenhagen K

Central Business Registration No: 35239510

Founded: 10.05.2013

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Mads Dehlsen Winther, Chairman

Claus Bachmann

Carsten Gram Haagensen

Executive Board

Søren Torp Nielsen

Entity auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Statement by Management on the annual report

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

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

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

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

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

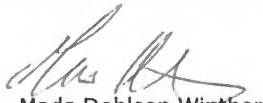
Copenhagen, 16.05.2019

Executive Board



Søren Torp Nielsen

Board of Directors



Mads Dehlsen Winther
Chairman



Claus Bachmann



Carsten Gram Haagensen

Independent auditor's report

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

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

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Independent auditor's report

concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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

Copenhagen, 16.05.2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31



Martin Lunden

State Authorised Public Accountant

mne32209

Management commentary

	2018	2017	2016	2015	2014
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial highlights					
Key figures					
Revenue	4.592	5.104	17.769	21.843	29.089
Gross profit/loss	(1.167)	25.408	12.935	17.278	13.076
Operating profit/loss	1.260	22.975	(25.716)	13.619	9.417
Net financials	317	394	68	(434)	(10)
Profit/loss for the year	1.473	23.199	(26.829)	11.893	8.892
Total assets	99.357	97.763	73.690	41.805	35.082
Investments in Vessels, plant and equipment	213	0	58.327	1	3
Equity	97.262	95.789	72.590	41.058	29.165
Ratios					
Gross margin (%)	(25,4)	497,8	72,8	79,1	45,0
Return on equity (%)	1,5	27,6	(47,2)	33,9	36,0
Equity ratio (%)	97,9	98,0	98,5	98,2	83,1
Profit margin (%)	27,4	450,1	(144,7)	62,3	32,4
Return on assets (%)	1,3	24,0	(182,8)	32,6	26,8

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

Management commentary

Primary activities

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

Development in activities and finances

The Income Statement of the Company for 2018 shows a gain of USD 1 million (2017: 23 million) and at 31 December 2018 the balance sheet of the Company shows an equity of USD 97 million (2017: USD 96 million). The result for 2017 included the profit of the sale of Maersk Attender, and the result for 2018 is mainly driven by a reversal of impairment on vessels of USD 5 million. Adjusted for the impairment on vessels in 2018 the Income Statement of the Company shows a loss of USD 3 million compared to an adjusted loss in 2017 of USD 3 million when excluding the sale of Maersk Attender.

Uncertainty relating to recognition and measurement

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

Unusual circumstances affecting recognition and measurement

The financial position at 31 December 2018 of the Company and the results of the activities of the Company for the financial year for 2018 have not been affected by any unusual events apart from the rapid decline in activity.

Outlook

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

Particular risks

Market 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 West Africa'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 West Africa A/S are lower day rates on new contracts, lower forecast utilization on vessels without firm contracts and a decline in the fair market value 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 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 (smallest group of assets generating independent cash inflows) are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts.

Management commentary

In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables. The day rates are expected to remain low in the short-term. However, in line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the mid to long-term and expect the industry to balance itself at a level with sustainable EBITDA-margins.

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.

Environmental performance

Reference is made to the Parent company Maersk Supply Service A/S annual report.

Events after the balance sheet date

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

Income statement for 2018

	<u>Notes</u>	<u>2018 USD'000</u>	<u>2017 USD'000</u>
Revenue	2	4.592	5.104
Other operating income	3	0	25.843
Other external expenses		<u>(5.759)</u>	<u>(5.539)</u>
Gross profit/loss		(1.167)	25.408
Depreciation, amortisation and impairment losses	4	<u>2.427</u>	<u>(2.433)</u>
Operating profit/loss		1.260	22.975
Other financial income	5	543	412
Impairment of financial assets	6	(187)	(13)
Other financial expenses	7	<u>(39)</u>	<u>(5)</u>
Profit/loss before tax		1.577	23.369
Tax on profit/loss for the year	8	<u>(104)</u>	<u>(170)</u>
Profit/loss for the year	9	<u>1.473</u>	<u>23.199</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 USD'000</u>	<u>2017 USD'000</u>
Vessels		29.766	27.126
Vessels, plant and equipment	10	29.766	27.126
Investments in subsidiaries		0	187
Fixed asset investments	11	0	187
Fixed assets		29.766	27.313
Manufactured goods and goods for resale		575	522
Inventories		575	522
Trade receivables		15	720
Receivables from group enterprises		68.916	69.076
Other receivables		85	132
Receivables		69.016	69.928
Current assets		69.591	70.450
Assets		99.357	97.763

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 USD'000</u>	<u>2017 USD'000</u>
Share capital	12	858	858
Retained earnings		34.404	94.931
Proposed dividend		62.000	0
Equity		<u>97.262</u>	<u>95.789</u>
Trade payables		556	425
Payables to group enterprises		1.460	1.430
Income tax payable		77	64
Other payables		2	55
Current liabilities other than provisions		<u>2.095</u>	<u>1.974</u>
Liabilities other than provisions		<u>2.095</u>	<u>1.974</u>
Equity and liabilities		<u>99.357</u>	<u>97.763</u>
Special items	1		
Contingent liabilities	13		
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Statement of changes in equity for 2018

	Share capital USD'000	Retained earnings USD'000	Proposed dividend USD'000	Total USD'000
Equity beginning of year	858	94.931	0	95.789
Profit/loss for the year	0	(60.527)	62.000	1.473
Equity end of year	858	34.404	62.000	97.262

Notes

1. Special items

Special items include significant impairment on vessels in 2018 amounting to USD 5 million (2017: USD 9 million) and impairment of investments in subsidiaries amounting to USD 187 thousand (2017: USD 13 thousand).

The fair value estimates are highly uncertain due to the nature of the assets. 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.

	2018	2017
	USD'000	USD'000
2. Revenue		
Europe	4.689	3.411
Africa	(97)	1.693
	4.592	5.104

3. Other operating income

Other operating income include profit on sale of vessel in 2017.

	2018	2017
	USD'000	USD'000
4. Depreciation, amortisation and impairment losses		
Depreciation of vessels, plant and equipment	2.132	2.433
Impairment losses on vessels, plant and equipment	(4.559)	0
	(2.427)	2.433

	2018	2017
	USD'000	USD'000
5. Other financial income		
Financial income arising from group enterprises	543	295
Exchange rate adjustments	0	117
	543	412

6. Impairment of financial assets

Impairment of financial assets relates to write down of investment in Maersk Supply Service Griffon Ghana Limited.

Notes

	2018	2017
	USD'000	USD'000
7. Other financial expenses		
Exchange rate adjustments	36	5
Other financial expenses	3	0
	39	5
	2018	2017
	USD'000	USD'000
8. Tax on profit/loss for the year		
Tax on current year taxable income	77	172
Adjustment concerning previous years	27	(2)
	104	170
	2018	2017
	USD'000	USD'000
9. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	62.000	0
Retained earnings	(60.527)	23.199
	1.473	23.199
	Vessels	
	USD'000	
10. Vessels, plant and equipment		
Cost beginning of year		58.327
Additions		213
Cost end of year		58.540
Depreciation and impairment losses beginning of the year		(31.201)
Reversal of impairment losses		4.559
Depreciation for the year		(2.132)
Depreciation and impairment losses end of the year		(28.774)
Carrying amount end of year		29.766

Notes

	Investments in subsidiaries
	USD '000
11. Fixed asset investments	
Cost beginning of year	200
Cost end of year	200
Impairment losses beginning of year	(13)
Impairment losses for the year	(187)
Impairment losses end of year	(200)
Carrying amount end of year	0

	Corpo- rate form	Equity inte- rest %	Equity USD'000	Profit/loss USD'000
Investments in group enterprises comprise:				
Maersk Supply Service Griffon Ghana Limited*	Ghana Limited	90,0	NA	NA

*No published financial statements available.

12. 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.

13. Contingent liabilities

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

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

There are no other contingent liabilities at 31 December 2018.

Notes

14. Related parties with controlling interest

Controlling interest:

Majority shareholder: Maersk Supply Service A/S, Esplanaden 50, 1263 Copenhagen K, 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 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.

15. Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

The vessel Maersk Attender was sold to Maersk Supply Service Subsea UK Ltd in March 2017. The vessel was sold at market value.

16. Group relations

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

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

Accounting policies

Reporting class

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

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

No consolidated annual accounts have been prepared, cf. section 112(1) of the Danish Financial Statements Act. The Annual Accounts of Maersk Supply Service West Africa A/S and its group enterprises are included in the consolidated annual accounts for A.P. Møller – Mærsk A/S, Copenhagen, CVR nr. 22 75 62 14.

Cash flow statement

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

Recognition and measurement

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

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

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

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

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

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.

Accounting policies

Income statement

Revenue

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

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

Other operating income

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

Other external expenses

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

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to vessels, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year.

Other financial income

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

Impairment of financial assets

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

Other financial expenses

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

Tax on profit/loss for the year

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

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

Accounting policies

Balance sheet

Vessels, plant and equipment

Vessels, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

Vessels	20 years
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Estimated useful lives and residual values are reassessed annually.

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost and 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.

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.

Accounting policies

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.