Maersk Supply Service West Africa A/S

Esplanaden 50
1263 Copenhagen K
Central Business Registration No 35239510

Annual report 2017

The Annual General Meeting adopted the annual report on 25.05.2018

Chairman of the General Meeting

Name: Ida Marie Schydt

Contents

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: 01.01.2017 - 31.12.2017

Board of Directors
Michael Krabbe, 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 01.01.2017 - 31.12.2017.

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 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

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, 25.05.2018

Executive Board

Søren Torp Nielsen

Board of Directors

Michael Krabbe 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 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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 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.

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, 25.05.2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden
State Authorised Public Accountant
mne32209

Management commentary

	2017 USD'000	2016 USD'000	2015 USD'000	2014 USD'000	2013 USD'000
Financial highlights					
Key figures					
Revenue	5,104	17,769	21,843	29,089	16,971
Gross profit/loss	25,408	12,935	17,278	13,076	10,746
Operating profit/loss	22,975	(25,716)	13,619	9,417	8,000
Net financials	394	68	(434)	(10)	55
Profit/loss for the year	23,199	(26,829)	11,893	8,892	8,020
Total assets	97,763	73,690	41,805	35,082	34,142
Investments in vessels, plant and equipment	0	58,327	1	3	69,973
Equity	95,789	72,590	41,058	29,165	20,273
Ratios					
Gross margin (%)	497.8	72.8	79.1	45.0	63.3
Return on equity (%)	27.6	(47.2)	33.9	36.0	79.1
Equity ratio (%)	98.0	98.5	98.2	83.1	59.4
Profit margin (%)	450.1	(144.7)	62.3	32.4	47.1
Return on assets (%)	24.0	(182.8)	32.6	26.8	23.4

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.
Profit margin (%)	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on assets (%)	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$	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 2017 shows a profit of USD 23 million and at 31 December 2017 the balance sheet of the Company shows an equity of USD 96 million (2016 USD 73 million). The result for 2017 amounted to a profit of USD 23 million compared to a loss of USD -27 million in 2016. The result for 2016 included impairment write downs amounting to USD 35 million. The result for 2017 of USD 23 million was significantly better than the result (adjusted for impairment write down) for 2016 of USD 8 million primarily driven by 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 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events apart from the rapid decline in activity.

Outlook
As a result of the lower oil price, the markets we operate in are under severe pressure with activities dropping to historical low levels. Consequently, we expect a lower result in 2018 compared to 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 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 are lower day rates on new contracts, forecasted utilization on vessels without firm contracts and a decline in fair market values of vessels.
The fair market value estimates for vessels are highly uncertain as the second-hand market for offshore vessels is in a state of distress with only very few benchmark transactions for both modern and older vessels involving willing buyers / willing sellers.
The value in use calculations for the individual cash generating units are sensitive to the day rates expected to apply when contracts expire and to the risks of idle periods in the forecasts. In addition, the discount rate, growth rate and EBITDA margin in the terminal period are critical variables. The day rates in the short to medium term are expected to remain low. In line with analysts in the market, management expects a gradual move towards more economically sustainable rates in the long-term. Due to the uncertain prospects for

Management commentary

vessels without contracts, 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.

Safety and 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 2017

	Notes	2017 USD'000	2016 USD'000
Revenue	1	5,104	17,769
Other operating income	2	25,843	0
Other external expenses		(5,539)	(4,834)
Gross profit/loss		**25,408**	**12,935**
Depreciation, amortisation and impairment losses	3	(2,433)	(38,651)
Operating profit/loss		**22,975**	**(25,716)**
Other financial income	4	412	87
Impairment of financial assets	5	(13)	0
Other financial expenses	6	(5)	(19)
Profit/loss before tax		**23,369**	**(25,648)**
Tax on profit/loss for the year	7	(170)	(1,181)
Profit/loss for the year	8	**23,199**	**(26,829)**

Balance sheet at 31.12.2017

	Notes	2017 USD'000	2016 USD'000
Vessels		27,126	41,715
Vessels, plant and equipment	9	**27,126**	**41,715**
Investments in subsidiaries		187	0
Fixed asset investments	10	**187**	**0**
Fixed assets		**27,313**	**41,715**
Manufactured goods and goods for resale		522	0
Inventories		**522**	**0**
Trade receivables		720	4,862
Receivables from group enterprises		69,076	27,055
Other receivables		132	58
Receivables		**69,928**	**31,975**
Current assets		**70,450**	**31,975**
Assets		**97,763**	**73,690**

Balance sheet at 31.12.2017

	Notes	2017 USD'000	2016 USD'000
Share capital	11	858	858
Retained earnings		94,931	71,732
Equity		**95,789**	**72,590**
Other provisions	12	0	383
Provisions		**0**	**383**
Trade payables		425	311
Payables to group enterprises		1,430	301
Income tax payable		64	93
Other payables		55	12
Current liabilities other than provisions		**1,974**	**717**
Liabilities other than provisions		**1,974**	**717**
Equity and liabilities		**97,763**	**73,690**

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Statement of changes in equity for 2017

	Share capital USD'000	Retained earnings USD'000	Total USD'000
Equity beginning of year	858	71,732	72,590
Profit/loss for the year	0	23,199	23,199
Equity end of year	**858**	**94,931**	**95,789**

Notes

	2017 USD'000	2016 USD'000
1. Revenue		
Europe	3,411	0
Africa	1,693	17,769
	5,104	**17,769**

2. Other operating income

Other operating income include profit on sale of vessel.

3. Depreciation, amortisation and impairment losses		
Depreciation of vessels, plant and equipment	2,433	3,635
Impairment losses on vessels, plant and equipment	0	35,016
	2,433	**38,651**

4. Other financial income		
Financial income arising from group enterprises	295	87
Exchange rate adjustments	117	0
	412	**87**

5. Impairment of financial assets

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

6. Other financial expenses		
Exchange rate adjustments	0	11
Other financial expenses	5	8
	5	**19**

Notes

	2017 USD'000	2016 USD'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	172	1,171
Adjustment concerning previous years	(2)	10
	170	**1,181**

	2017 USD'000	2016 USD'000
8. Proposed distribution of profit/loss		
Retained earnings	23,199	(26,829)
	23,199	**(26,829)**

	Vessels USD'000
9. Vessels, plant and equipment	
Cost beginning of year	128,304
Disposals	(69,977)
Cost end of year	**58,327**
Depreciation and impairment losses beginning of the year	(86,589)
Depreciation for the year	(2,433)
Reversal regarding disposals	57,821
Depreciation and impairment losses end of the year	**(31,201)**
Carrying amount end of year	**27,126**

	Investment in subsidiaries USD'000
10. Fixed asset investments	
Additions	200
Cost end of year	**200**
Impairment losses for the year	(13)
Impairment losses end of year	**(13)**
Carrying amount end of year	**187**

Notes

	Registered in	Corporate form	Equity interest %	Equity USD'000	Profit/loss USD'000
Investments in subsidiaries comprise:					
Maersk Supply Service Griffon Ghana Limited*	Ghana	Limited	90.0	200,000	(13)

*Internal group reporting as of 31 December 2017.

11. 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.

12. Other provisions

In 2016, other provisions comprised redundancy for crew (off-shore) of USD 0.4 million.

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 2017.

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.

Notes

15. Transactions with related parties

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 6.602 at 31 December 2017 (2016: 6.725).

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.

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

Accounting policies

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.

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.

Accounting policies

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

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.

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.

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

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.

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.