MAERSK PRODUCT TANKERS A/S

2020 ANNUAL REPORT

FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020

The Annual Report was presented and approved at the Annual General Meeting on 6 April 2021

Chairman of the meeting
Anette Ryde

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MANAGEMENT REVIEW

LETTER FROM THE CEO

DEAR READER,

We look back on a year defined by a health pandemic that shook all corners over the globe, leaving an indelible mark on people and society.

Most countries implemented lockdowns and travel restrictions, affecting individual lifestyles and consumption habits, and straining industries and businesses. This has influenced energy, specifically oil, demand – the long-term impacts of which remain to be ascertained. As I write this letter, vaccines are being rolled out, but the pandemic continues to have a devastating impact on people and society.

Our customers' businesses have been heavily impacted by the fall in oil demand and price, reducing their need for seaborne transportation. But when required, we have been there to support them with safe, reliable and flexible cargo transportation.

Our colleagues at sea have made extraordinary contributions during the pandemic, playing a critical role in supplying energy to society. At the same time, they have found themselves onboard vessels for extended and unreasonable lengths of time due to lockdowns and restrictions put in place by governments to contain the pandemic. I want to extend my heartfelt thanks to our colleagues at sea and assure them that we continue to take extensive measures to push for regular crew changes.

Despite the challenges facing them, our seafarers demonstrated high resilience and an unshakable commitment to work and safety - resulting in an improved safety performance record: 0.55 (0.78) Total Recordable Case Frequency and 0.28 (0.28) Lost Time Incident Frequency. We are pleased with this progress and continue to strive to achieve zero incidents.

The captain and crew onboard Maersk Etienne also made extraordinary contributions when they rescued 27 people who were in distress at sea. Despite their heroic efforts, the rescued people and crew were caught in a political stalemate that left them stranded on board the vessel for 38 days. We continue to push for a long-term sustainable political solution that will ensure a quick and safe disembarkation of persons rescued at sea when the merchant vessel crew and owners fulfil their moral and legal duties.

SOLID FINANCIAL RESULTS

We delivered solid financial results in 2020 with a revenue of USD 663.6 million (USD 727.7 million), a profit before tax of USD 158.7 million (USD 91.4 million) and a positive free cash flow of USD 183.2 million (a negative free cash flow of USD 11.1 million). The results reflect an acceleration of our strategy as we adjusted the size of our fleet to reduce risk in an uncertain market due to the pandemic. The results are also positively impacted by high freight rates in the first half of the year.

A MARKET WITH HIGHS AND LOWS

Volatility is an intrinsic feature of the tanker market, but 2020 will likely go down as one of the most volatile years in tanker market history.

With the pandemic paralysing air and ground travel, demand for oil products collapsed, coinciding with OPEC releasing extra volumes to the market. Oil prices fell sharply, hitting a historical low. This led traders and refiners to use tankers as storage facilities, causing earnings to spike to new highs.

Following the demand boom in the first half of the year, a bust kicked in in the second half with lower freight rates. At the same time, the tanker fleet continued to grow, and scrapping levels kept low, causing a supply-demand imbalance.

While global oil demand recovered from its lows, the pandemic has kept mobility and oil demand structurally significantly lower than in the past. A recovery in oil demand and the rebalancing of the oil tanker market will be largely dependent on the speed and effectiveness of the COVID-19 vaccine roll-out. On this basis, we expect the market to remain subdued in the first half of 2021, but with a likely re-bound later in the year.

RETAINING A COMPETITIVE FLEET

In strategic partnership with Maersk Tankers, through which the fleet is commercially and technically managed, we continued to pursue opportunities to adjust the composition and size of the fleet. We completed robust transactions of both older and modern tonnage at attractive prices in 2020 with the sale of 20 vessels, of which 11 were delivered to their new owners during the year. These transactions help us to retain a competitive fleet that meets customers' requirements, delivers attractive financial returns to our owners and strengthens the company's financial robustness. This is contributing positively to our balance sheet and liquidity position. The transactions also reduce our exposure in an uncertain market environment caused by the pandemic.

Regardless of the fleet's size, we benefit from Maersk Tankers' scale. These benefits include stability of earnings and the ability to capitalise on vast amounts of data, which are used to optimise vessel performance and, in turn, reduce CO2 emissions and increase earnings.

Our capital expenditure is composed of a fully funded newbuilding programme and a manageable future cost for dry-dockings. With regard to the first, we took delivery of the first of 10 LR2 newbuildings, following a delay of approximately six months. We are working with the management of the yard to agree on a new delivery schedule for the remaining vessels. On the second, in line with our fleet strategy, we sold a number of vessels, which were due for dry-docking. This, along with an optimised repair and maintenance programme, reduced our capital expenditure.

We managed to reduce vessels' average daily running costs from USD 5,696 per day in 2019 to USD 5,590 per day in 2020. This reduction was realised despite challenging circumstances where the pandemic led to difficulties in crew changes and, with this, additional costs. We will continue to take measures to retain cost competitiveness, which is critical for an asset-heavy business in a highly competitive industry.

CUTTING CO2 EMISSIONS

Shipowners have to put in place sweeping plans designed to reduce the industry's CO2 emissions. The International Maritime Organisation (IMO) is pursuing the goal of a 70% cut in emissions by 2050, compared with 2008, and we are increasingly seeing signs of shipowners joining forces with industry bodies, operators and other stakeholders to meet this goal, while continuing to supply the oil products that are still needed in large parts of the world.

At Maersk Product Tankers, we are reducing the fleet's CO2 emissions through our partnership with Maersk Tankers. This gives us access to digital solutions developed to optimise vessels' fuel efficiency and commercial and technical management expertise, rooted in a century of shipping. We are, for example, confident of the industry-wide potential that lies in the digital solution Optimise by ZeroNorth, which provides operators with insight to help them cut CO2 emissions and improve revenue. Optimise is used on our entire fleet and other shipowners and operators have followed in our footsteps and Optimise now has commitment from 1,500 vessels in the tramp shipping industry.

Our work is bearing fruit and we cut CO2 emissions by 3.3% in 2020, getting us to a total reduction of 28.7% since 2008, as measured on the Energy Efficiency Operational Indicator. While we are pleased with this achievement, we recognise that substantial work lies ahead to cut emissions further. We are priming ourselves through partnerships and digital, commercial and technical initiatives, keeping an unwavering commitment to reduce CO2 emissions by 45% by 2030, compared to their level in 2008, which is more ambitious than IMO's 2030-target.

CONCLUDING REMARKS

This year has been highly unusual for people and companies the world over. In the face of the global pandemic and its restrictions, our business model has been resilient, and we enter the new year with a robust platform with limited capital expenditure commitments and a newbuilding programme that is largely funded. Together with Maersk Tankers, we will take measures to retain a competitive fleet that meet our customers' demands. We will also continue to optimise the fleet's performance, which, in turn, will reduce CO2 emissions, maintain daily running costs at competitive levels and increase earnings.

As we look ahead, there is uncertainty in the oil market on two main fronts: One is climate change and the world's transition to more renewable energy sources; the other is how the pandemic will impact air and ground travel, which in turn impacts oil demand. A cautious prediction is that oil demand will remain low in the first half of 2021, followed by a gradual rebound in the second half of the year.

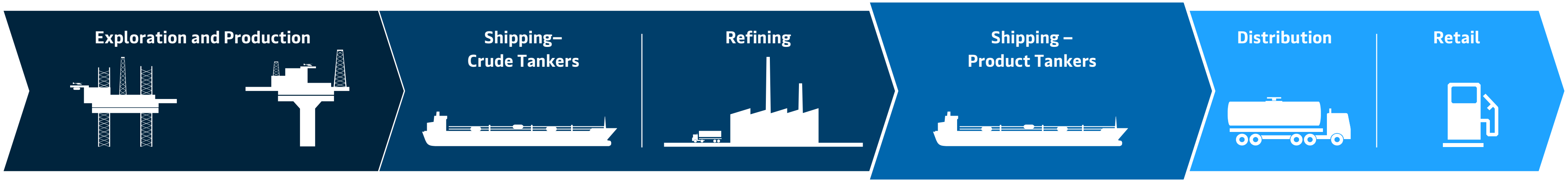
Maersk Product Tankers stands strong. Our achievements, especially last year, have demonstrated the robustness of the company in managing very volatile market conditions. This leaves me confident in the potential of our strategy.

I would like to thank our stakeholders for their continued support in 2020 while offering a special thank you to employees for their contributions and achievements, customers for their cooperation, and owners for their stewardship and confidence in us.

Christian M. Ingerslev
CEO of Maersk Product Tankers

ENERGY VALUE CHAIN

Of the world's seaborne transportation, 9% is carried out by product tanker vessels. Companies operating in the industry carry oil products from refineries to distribution points determined by customers who are mainly oil majors and trading houses.



FLEET

INTERMEDIATE
15-20,000 dwt

Trading area: Northwest Europe, Asia
Products: Clean, dirty

HANDY
25-42,000 dwt

Trading area: Global
Products: Clean, dirty, chemicals, vegetable oils

MR
45-55,000 dwt

Trading area: Global
Products: Clean, dirty, vegetable oils

LR2
100-120,000 dwt

Trading area: Arabic Gulf with main routes to North Asia and Europe
Products: Clean, dirty

PRODUCTS

Clean Petroleum Products (CPP), e.g. gasoline, diesel, naphtha and jet fuel, mainly used in transportation, industrial and chemical industries
Dirty Petroleum Products (DPP), e.g. fuel oil and crude oil, mainly used for refining or industrial purpose, incl. transportation
Vegetable and other edible oils, e.g. sunflower oil, mainly used in the food industry

OUR VALUES

CONSTANT CARE

Take care of today, actively prepare for tomorrow

HUMBLENESS

Listen, learn, share and give space to others

UPRIGHTNESS

Our word is our bond

OUR EMPLOYEES

The right environment for the right people

OUR NAME

The sum of our values: passionately striving higher

MAERSK PRODUCT TANKERS

AT A GLANCE

Maersk Product Tankers is a leading player in the product tanker industry, owning 73 vessels which are carrying refined oil products worldwide for customers. The company is owned by A.P. Møller Holding A/S and Mitsui & Co., Ltd. and has its headquarters in Copenhagen, Denmark.

73

Vessels

Founded in

1928

Maersk Product Tankers A/S became

an independent company in 2017

OWNERS

A.P. Møller Holding A/S

(controlling shareholder)

Mitsui & Co. Ltd.

PARTNERSHIP

Maersk Tankers A/S is the

commercial, technical and

corporate manager of the vessels

663.6m

Revenue (USD)

183.2m

Free cashflow (USD)

158.7m

Profit/Loss before tax (USD)

204.1m

Net investment in vessels (USD)

KEY FIGURES AND FINANCIAL RATIOS

Amounts in USD million

Income statement	2020	2019	2018	2017	2016
Revenue	663.6	727.7	647.0	621.1	593.5
Profit before depreciation and impairment losses (EBITDA)	**210.8**	**202.9**	**109.6**	**126.1**	**172.0**
Depreciation and amortisation	-105.2	-114.0	- 106.9	- 121.2	- 128.4
Impairment reversals and losses	80.4	36.4	0.0	- 464.0	0.0
Gain/loss on sale of non-current assets, etc., net	11.8	6.7	- 0.5	1.3	- 4.0
Profit/loss before financial Items (EBIT)	**197.8**	**132.1**	**2.2**	**- 457.8**	**39.6**
Financial items, net	-39.0	-40.7	- 37.2	- 31.8	- 24.2
Profit/loss before tax	**158.7**	**91.4**	**- 35.0**	**- 489.6**	**15.4**
Tax	1.9	1.0	1.9	- 1.1	1.4
Profit/loss for the year - continuing operations	160.7	92.4	- 33.1	- 490.7	16.8
Profit/loss for the year - discontinued operations	0	0	2.0	0.8	2.9
Profit/loss for the year	**160.7**	**92.4**	**- 31.1**	**- 489.9**	**19.7**

Balance sheet					
Total assets	1,486.9	1,527.5	1,358.1	1,364.3	1,828.0
Total equity	626.5	543.1	465.8	500.7	997.5
Net investments in property, plant and equipment	-204.1	-253.9	- 146.7	- 88.3	- 268.3

Cash flow statement					
Cash flow from operating activities	192.4	158.3	90.8	85.8	197.2
Cash flow used for investing activities	-9.2	-169.4	- 118.5	- 56.5	- 245.4
Free cash flow	183.2	-11.1	- 27.7	29.3	- 48.2

Financial ratios					
Profit margin	31.8%	27.9%	16.9%	20.2%	29.0%
Equity ratio	42.1%	35.6%	34.3%	36.7%	54.6%
Return on equity	27.5%	18.3%	-6.4%	-65.4%	2.0%

Please see definitions in Note 18 of the consolidated financial statements.

VESSEL TRANSACTIONS IN 2020

Maersk Edgar (Handy) and Maersk Princess (LR2) were sold and delivered to new owners

Maersk Cyprus (MR) (newbuilding) entered our fleet

Henning Maersk (Handy) and Henry Maersk (Handy) (2nd hand) entered our fleet

Maersk Phoenix (LR2) was sold and delivered to new owner

Maersk Promise (LR2), Ribe Maersk (Handy) and Maersk Rosyth (Handy) were sold and delivered to new owners

Maersk Sandra (LR2) (newbuilding) entered the fleet

Maersk Etienne (Handy), Maersk Progress (LR2), Maersk Edward (Handy), Maersk Pearl (LR2), Maersk Tianjin (MR), Maersk Timaru (MR), Maersk Torshavn (MR), Maersk Trieste (MR) and Maersk Pelican (LR2) were sold and delivered to new owners

MARKET

MARKET DEVELOPMENT

2020 was a tale of two halves — a demand boom in the first half due to an increase in vessels being used as floating storage, followed by bust in the second half.

Volatility is an intrinsic feature of the tanker market, but 2020 will likely go down as one of the most volatile years in tanker market history. An OPEC price war coincided with the global COVID-19 pandemic, which simultaneously led to a surge in seaborne crude exports and a collapse in global oil demand. Oil prices subsequently fell from USD 70/bbl in early January to USD 20/bbl by mid-April. This led traders and refiners to store oil and sell it at a higher price in the future. Tankers were quickly repurposed into storage facilities. At its peak, floating storage employed nearly 15% of the entire product tanker fleet, causing earnings to spike to new highs.

The pandemic and ensuing restrictions on mobility led to an unprecedented 30% collapse in global oil demand. While the oil market started to recover by May, a structural decline in transportation fuel demand ultimately required lower refinery runs and less seaborne trade. The demand for floating storage began to fall rapidly by June, which made it a short-lived rally. By early June, benchmark earnings on product tankers collapsed to around USD 10,000 per day. Onshore inventories also surged to new highs over the late summer and early autumn, with demand increasingly being met by storage drawdowns during the latter half of the year. This left a larger tanker pool competing for fewer and fewer cargoes, and kept earnings under pressure for the industry.

Overall, global oil demand declined by around 9 mb/d in 2020 (-9% year-on-year). The demand for seaborne clean products is estimated to have declined by 7% year-on-year, while the OPEC production increases early in the year kept the demand for seaborne dirty products more elevated, declining by 2% year-on-year. On the supply side, the product tanker fleet continued to grow throughout the year, with 6m DWT worth of newbuild vessels entering the fleet. Higher tanker earnings in the first half of the year kept scrapping levels to a minimum, with only 2m DWT retiring during the year. Overall, the product tanker fleet grew by just over 2% in 2020.

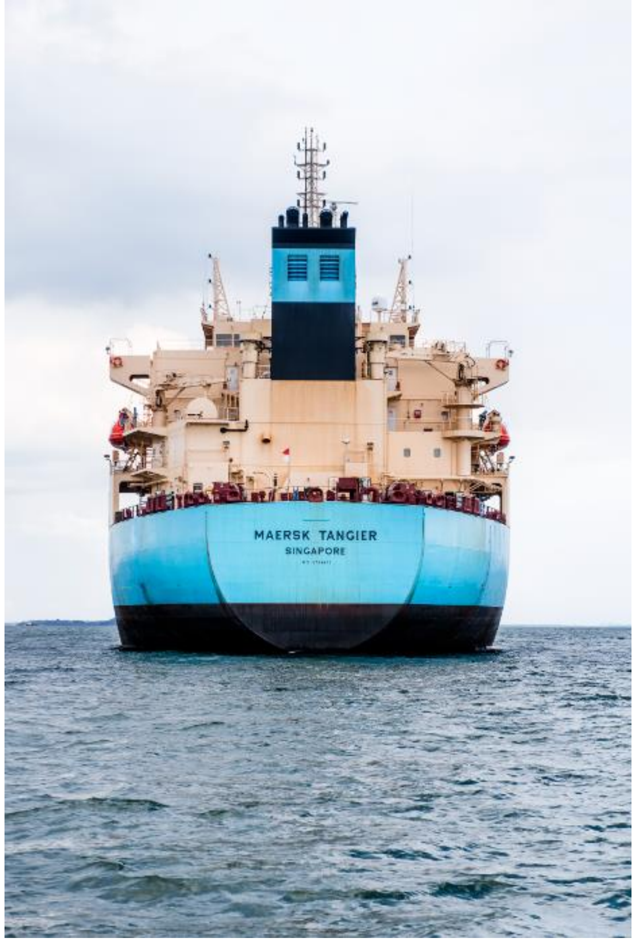
Vessel values moved in tandem with earnings, as second-hand values rose 2-3% over the first quarter before declining throughout the rest of the year. By year-end, second-hand values for product tankers were between 10% and 20% lower than at the end of 2019, depending on segment and vintage.

MARKET OUTLOOK

While global oil demand recovered from the lows of April and May, the pandemic has kept mobility and oil demand structurally significantly lower than in the past. Unemployment and people working from home continue in much of the world, both of which reduce road and air travel. A recovery in oil demand and the rebalancing of the oil tanker market will be largely dependent on the speed and effectiveness of the COVID-19 vaccine roll-out. Lockdowns and restrictions on mobility will likely keep transportation fuel demand well below 2019 levels until a full rollout of the COVID-19 vaccine works its way around the globe. Vaccine strategies vary widely from country to country, which makes predicting the timing and magnitude of recovery difficult and fraught with risk.

Until vaccination reaches a critical mass, the tanker market will continue to be hindered by low economic and transportation activity. Moreover, global storage will need to be worked down before long-haul seaborne product trade resumes. On storage, we are nearly out of the woods as storage levels are declining at a steady pace. The temporary pain felt in the tanker market should be viewed as an antidote to oversupply. Indeed, current low earnings combined with rising steel prices are incentivizing the pre-mature scrapping of tankers. Higher scrapping may ultimately limit the growth of the overall tanker fleet in 2021.

With more people around the world receiving the COVID-19 vaccine, employment and mobility trends could return to pre-pandemic levels before year-end, eventually tightening the supply-demand balance and providing support to tanker earnings. In summary, the tanker market outlook remains subdued in the first half of 2021, but there is likely a brighter second half on the horizon, with oil demand recovering, oil inventories normalizing, and a product tanker fleet that is slowing the pace of its growth.



STRATEGY

The COVID-19 pandemic enveloped the world in 2020 and governments responded with restrictions and lockdowns that saw air, sea and land borders partly or entirely closed. This caused the global demand for oil to collapse, which, coinciding with a downward slide in oil price, led to unusually high levels of volatility in the product tanker markets.

Our strategy withstood these tumultuous times. We continued to deliver our core customer service: safe, reliable and flexible transportation of cargo. We also retained a competitive fleet, reducing CO2 emissions and costs. This was not least thanks to the dedication of Maersk Tankers' 3,000 employees on- and off-shore.

ENHANCING CUSTOMER VALUE

Our customers prefer newer vessels to transport their cargoes. To meet this demand, we strive to maintain a fleet composed of vessels that are 15 years or younger.

We recently completed a newbuilding programme that brought in nine new MR vessels, the most recent of which was delivered in January 2020. We also took delivery of the first of ten LR2 newbuildings, which were bought when asset prices were low. The delivery of the first LR2 newbuilding comes after a delay of approximately six months. We are working with the management of the yard to agree on a new delivery schedule for the remaining vessels. We will likely see a delay of six months in total across the programme, but with a steady stream of vessels being delivered over the coming years.

Financing has been secured for the vessels in the newbuilding programme, which forms the majority of our capital expenditure in the near future and amounts to USD 301.8 million (USD 421.2 million) at the end of 2020.

OUR STRATEGIC PARTNERSHIP WITH MAERSK TANKERS

Maersk Tankers manages the Maersk Product Tanker fleet. Thanks to this strategic partnership, we benefit from: Maersk Tankers' nine decades of commercial and technical expertise, access to cargoes from the company's vast trading books with entry to its global network of more than 200 oil majors and trading houses, insight into optimising bunker consumption and reducing emissions, effective risk management born of a unique trading concept and the cost-reducing power of scale.

To meet the diverse needs of our customers, the fleet consists of vessels in different segments, each with distinct features, carrying different oil products to global and niche markets. The fleet is exposed to an inherently volatile spot market that has historically been proven to generate higher returns over the cycle, compared to other deployment strategies.

In 2020, the fleet performed on a par with the spot market, measured on time-charter-equivalent earnings, despite unusual high volatility. We achieved this positive result by combining commercial decision-making, strong industry relations and the innovative use of data, which helped to position vessels optimally. Maersk Tankers is working to further strengthen the decision-making on vessel positioning by unlocking the potential in the digital solution SimTanker. Using data collected from a decade of LR2 voyages, SimTanker provides charterers with data-driven trade signals, which they use to simulate different voyage options and thus get recommendations for how to best position the fleet. In 2020, we applied SimTanker to our LR2 fleet, with plans to expand its use to the MR fleet in early 2021.

While most of the fleet is trading in the spot market, we have deployed vessels on long-term time-charter agreements. These agreements, totalling 10% in 2020, were entered at attractive rates and secured in light of higher market uncertainty following the pandemic.

DIGITALISE TO DECARBONISE

Amid the disruptions caused by the pandemic, Maersk Tankers remains fully committed to its climate ambitions and plans. This entailed devoting resources to exploit the potential of existing digital, commercial and technical solutions, while spurring on the industry to explore new solutions.

In 2020 Maersk Product Tankers' fleet emissions dropped by 3.3%, leading to a 28.7% reduction in total since 2008, as measured on the Energy Efficiency Operational Indicator (EEOI). The EEOI is an industry-wide measure of CO2 emissions per unit of cargo, expressed as g/tonne-mile. We remain committed to our CO2 emission reduction targets of 30% in 2021 and 45% by 2030, compared to 2008; targets that are more ambitious than those set by the International Maritime Organisation.

The 2020 reduction in emissions was realised through the effective use of Maersk Tankers' scale, digital solutions and strong commercial and technical management. Improved data analytics and new ways of deploying it will further help us understand the interplay between our operations and the environment.

To this end, we continued to use ZeroNorth's digital solution Optimise throughout the fleet. The software provides operators with insight to help them cut CO2 emissions and improve revenue. It does this by turning data into actions, using complex algorithms that factor in market rates, real time and future weather conditions, bunker prices and more, to guide operators on the optimal route and speed for their vessel. This in turn helps them optimise bunker spend, which can account for up to 60% of the total voyage cost.

We have successfully used Optimise on our fleet over the past two years and expect to harness its value in the future as well. Other shipowners and operators have followed in our footsteps and Optimise now has commitment from 1,500 vessels in the tramp shipping industry.

There were additional contributors to reducing overall emissions, including optimising daily vessel operations, renewing vessels in the MR segment and upgrading vessels when in dry-dock to improve their hull condition.

KEEPING COSTS DOWN

The tanker industry is asset-heavy with limited differentiation, which means it has to keep costs low to retain profitability and competitiveness.

We cut vessels' average daily running costs from USD 5,696 per day in 2019 to USD 5,590 per day in 2020. This is a particularly satisfactory result given the disruptions caused by the ongoing pandemic that made crew changes more difficult and costly.

A key driver of keeping costs down was Maersk Tankers' increased use of data and technology and remote troubleshooting in vessel repair and maintenance. This is an area we will be exploring further.

In 2020, we also increased returns from vessels by optimising dry-dock schedules and locations, which reduced spend, off-hire and capital expenditure.

RUNNING THE FLEET DYNAMICALLY

We are adjusting the fleet in composition and size as and when market opportunities arise. This means the fleet is under constant review and continually changing through purchases and sales.

In 2020, we completed a series of transactions at attractive prices, including a sale-and-lease-back agreement on nine vessels, which gives us the option, but no obligation, to buy them back. Furthermore, we sold 20 vessels of which 11 were delivered to their new owners during the year. We also delivered four vessels that were sold in 2019 while we took ownership of two second-hand vessels from 2019-transactions and two newbuildings.

These transactions helped us retain a competitive fleet that consistently met customer demand and reinforced Maersk Product Tankers' financial robustness, strengthening our balance sheet and liquidity. They also reduced our exposure in a market with downward risks. We expect that the sale and purchase market will operate at a low level in 2021, but we will continue to pursue attractive opportunities.

With a fleet that is continually changing in size and composition due to ongoing transactions, we are benefitting from the scale of Maersk Tankers' pools. This includes stability in earnings and the ability to utilise the vast amounts of data at the company's disposal to optimise vessel performance as well as environmental impact.

PRIORITIES FOR 2021

Thanks to a strong performance in 2020, we enter the new year with a robust platform, a funded newbuilding programme and limited additional capital expenditure commitments.

In our strategic partnership with Maersk Tankers, we will continue to deliver our strategy in 2021. It will help us maintain a competitive fleet that consistently meets customers' needs for safe, reliable and flexible transportation solutions, delivers solid investment returns to owners and reduces our carbon impact.

SUSTAINABILITY

The shipping industry plays a critical role in providing the world with a reliable supply of energy, as illustrated in the section 'Energy value chain'. It is an efficient and dependable mode of transportation that enables people and economies to thrive.

The shipping industry, by its very nature, is highly global with multiple stakeholders in its supply chain. Its impact on people and planet comes with a responsibility to consider and promote the integration of economic, social and environmental activities into core business practices.

CLIMATE

Tackling climate change is a pressing issue. Temperature levels are rising and causing long-lasting change to the climate, which threatens to become irreversible if no action is taken. Solutions at a global scale are needed and they require investors, governments, organisations, companies and people worldwide to join forces in an effort to reduce emissions.

Shipping is responsible for 2.2% of global CO2 emissions, according to the International Maritime Organisation (IMO) that has set industry-wide goals of cutting CO2 emissions. These outline reductions by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to a 2008 baseline. To fulfil these goals and deliver lasting change, the industry needs to unite in partnerships.

Maersk Tankers, which manages our fleet commercially and technically, is working strategically with the United Nations Sustainable Development Goal 13 that seeks to combat climate change and its impacts. The company is also a member of organisations such as Getting to Zero Coalition; the Climate Partnership for Blue Denmark; and the Global Maritime Forum. Through these partnerships and on our behalf, Maersk Tankers takes an active role in paving the way for innovative ideas and solutions that seek to usher in a greener future for shipping.

In 2020 Maersk Product Tankers' fleet emissions dropped by 3.3%, leading to a 28.7% reduction in total since 2008, as mentioned in the Strategy section. This was achieved by utilising Maersk Tankers' scale, investment in digital innovation and vessel management expertise. We reduced emissions by continuing to use the digital solution Optimise throughout the fleet, while optimising daily vessel operations, renewing vessels in the MR segment, adjusting the fleet profile and upgrading vessels when in dry-dock hence improving their hull condition.

Innovation will be vital in our future work on reducing CO2 emissions from the fleet. Here we will benefit from Maersk Tankers' nine decades of expertise and investment in fuel-efficient technology, such as super-slow steaming and the more recent use of wind-propulsion. We will also take advantage of the company's commercial know-how which helps to, for example, choose the most energy-efficient vessels for longer trades.

We will continue to push for greater innovation and greater transparency on emissions via Maersk Tankers. There remains a need for alignment across regulators, shipowners and operators on a standardised way of measuring and reporting on emissions. A step in closing the transparency gap on our fleet's emissions happened when Maersk Tankers signed the Sea Cargo Charter in February 2021, becoming part of a global initiative that commits to disclosing chartering activities and assessing them against climate targets. This will help us and Maersk Tankers' other partners in the pools by gathering data and report on an ongoing basis, ensuring transparency and compliance with latest regulations.

SAFETY

Protecting our employees' health and well-being is of the utmost importance to us. New challenges surfaced from the restrictions and lockdowns introduced by governments to contain the pandemic, which left seafarers stranded at sea for extended periods. Despite these challenges, we recorded the lowest number of incidents in recent times, underlining our commitment to health and safety and our seafarers' extraordinary efforts. We ended the year on 0.55 Total Recordable Case Frequency (0.78 in 2019) and 0.28 Lost Time Incident Frequency (0.28).

Our work to achieve an accident and incident-free workplace through, for example, safety campaigns and a reporting and learning culture, was supported by new initiatives in 2020. A recent resilience programme emphasised wellbeing and was particularly valuable for the seafarers navigating through the stresses of the pandemic. In 2021, we will continue to address and tackle human factors in safety and also assess the effectiveness of our navigational safeguards. We retain our steadfast commitment to improving safety and our ambition of running zero-incident operations.

We take moral and legal responsibility for people in distress at sea, as was the case in August 2020 when the captain and crew onboard Maersk Etienne rescued 27 people. Despite their heroic efforts, a political stalemate ensued which left the rescued people and ship's crew stranded on board the vessel for 38 days. We are pushing for a long-term sustainable political solution for people in distress at sea and crew and shipowners of the merchant fleet to avoid a repeat of the Maersk Etienne crisis. We continue to share our experiences of the crisis with partners and other organisations and, together with Danish Shipping, actively call for decisive political action.

ANTI-CORRUPTION WORK

Corruption is illegal, undermines social and economic development, destabilises the business environment, adds to the cost of trade and hurts markets and society. We have put strict policies in place to ensure we do not engage in corruption of any kind. We are a member of the Maritime Anti-Corruption Network (MACN), which works towards eliminating corruption and enabling fair trade, and we strictly adhere to our Zero Facilitation Payment Policy. In 2020, we increased cooperation with international anti-corruption organisations; when calling certain ports, we have ensured that local agent representatives are on board the vessels when inspections take place to reinforce our zero-tolerance stance against facilitation payments; we have made it clear to local authorities that the company doesn't accept bribery and corruption in any form; and we have conducted internal training on our stance and measures against corruption. Our unfailing commitment to upholding these measures will continue.

RESPONSIBLE PROCUREMENT

Global shipping companies' purchasing decisions have an environmental, social and economic impact around the world. The safe, reliable and flexible operation of vessels is dependent on a large and complex network of suppliers worldwide. Our Responsible Procurement Programme aims at ensuring suppliers conduct business responsibly in accordance with international and company standards. We conducted regular due diligence audits with high-risk suppliers, totalling 23 in 2020, of which four were onsite audits, and put in place an improvement plan when needed. We also completed a thorough analysis of our Responsible Procurement Programme to align it to the international standard for sustainable procurement (ISO 20400).

LABOUR AND HUMAN RIGHTS

Without human rights, an individual cannot have freedom or dignity. And so, we remain steadfast in our commitment to upholding international human and labour standards.

In 2020, we continued our worked with shipyards to ensure their work and that of their subcontractors is done in accordance with these standards. External auditors with local knowledge were used to support this work. We conducted four audits, with Dalian Shipbuilding Industry in China, PaxOcean in Singapore, ASRY in Bahrain and Besiktas in Turkey. The audits showed areas for improvement, and we have since established plans to address and close the gap between their practices and our third-party code of conduct.

You can read about our sustainability work at:

https://maersktankers.com/strategy/sustainability

DIVERSITY AND INCLUSION

At a time where the shipping industry needs to adapt and innovate to become more profitable, digital and sustainable there is a need for innovation to find new solutions to complex problems. Diversity and inclusion help to raise innovation just as it helps to raise the engagement and performance of each of us. And when we excel, our businesses and industry excel.

Diversity thrives in many forms in the shipping industry – be it in nationality, education, background or in other areas. At our strategic partner Maersk Tankers, which manages our fleet, employees hail from over 30 different countries, contributing to the diverse composition. We are pleased that the company is taking strategic action to improve gender diversity in an industry where the workforce remains predominantly male.

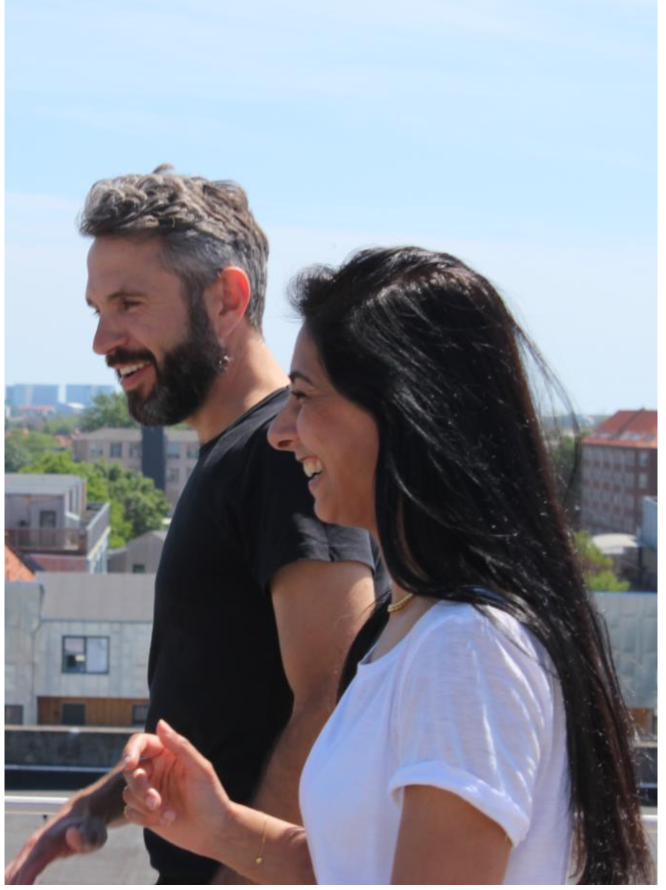
In moving the needle on gender diversity, the company executed several strategic initiatives during the year: training leaders in identifying and reducing unconscious bias in hiring and promotion; making the need for gender diversity visible externally; signing Danish Shipping's 'Charter for more women in shipping'; strengthening the parental leave policy; and providing more flexibility by giving employees the option to work remotely for up to 40% of the time.

As a result of these initiatives, Maersk Tankers increased the proportion of women employed in the offices to 30.5% and aims to hit the 35%-mark by the end of 2023. Furthermore, concerted recruitment efforts led to 47% of all hires in 2020 being women, bringing the company closer to a gender-balanced hiring ratio.

Maersk Tankers' targeted and strategic effort to introduce more female leaders to the company is also bearing fruit. We are pleased to see the hiring of a new female Chief Commercial Officer in 2020 and that a new female Chief Human Resources Officer have joined in March 2021. These recruitments show the company's unwavering commitment to attract and empower female talents. The executive management team now consists of two women and four men.

The number of female leaders rose from 14% in 2019 to 18% in 2020, with a target of 35% by the end of 2023.

The Board of Directors has one female director among its four members.



FINANCIAL PERFORMANCE IN 2020

The result for 2020 was a profit before tax of USD 158.7m compared to a profit before tax of USD 91.4m in 2019. The higher result was mainly due to reversal of impairment related to vessels sold supported by an increase in EBITDA.

RESULTS

Amounts in USD million	2020	2019	% change
Revenue	663.6	727.7	-8.8%
Operating costs	- 447.9	- 518.4	-13.6%
EBITDA	210.8	202.9	3.9%
Depreciations	- 105.2	- 114.0	7.7%
Impairment reversals and losses	80.4	36.4	120.8%
Financial income and expenses	- 39.0	- 40.7	-4.1%
Profit/loss before tax	158.7	91.4	73.8%
Tax	1.9	1.0	86.8%
Profit/loss for the year	160.7	92.4	73.9%

Revenue

Revenue for 2020 decreased by 8.8% compared to the previous year. The decrease in revenue is mainly due to the drop in freight rates in the second half of the year that outweighed the significant increase in the first half of the year.

Operating costs

Operating costs comprising bunker costs, voyage costs, vessel operating costs, port costs, staff costs and management fees. The decrease of 13.6% is driven by a decrease in bunker due to drop in bunker prices, a reduction in vessel operating costs, port costs and voyage costs.

EBITDA

EBITDA Increased by 3.9% from 2019 to 2020 due to a small increase in time charter equivalent of 0.5% from 14,739 USD/day in 2019 to 14,818 USD/day in 2020 combined with a decline in a vessel operating costs.

Depreciation

Depreciation decreased by 7.7% compared to 2019, despite an increase of vessel days by 0.4% primarily due to sale of vessels in the second half and impairment of the intermediate fleet in 2019 contributing to an overall decrease in depreciation.

Impairment losses and reversals

Net reversal of impairment during the year was USD 80.4m related to vessels sold and the sale and lease back transaction.

Financial income and expenses

Financial expenses net decreased by USD 1.7m in 2020, primarily due to lower interest payments compared to 2019 following the decrease in borrowings, net by USD 93.4m offset by a decrease in interest income.

Tax

Tax changed from USD 1.0m in 2019 to 1.9m in 2020, positively impacted by higher utilisation of tax losses in prior years, offset by a minor increase in tonnage tax for the year.

CASH FLOWS

Amounts in USD million	2020	2019	Δ
Cash flow from operating activities	192.4	158.3	34.1
Cash flow used for investing activities	- 9.2	- 169.4	160.2
Cash flow from financing activities	-162.8	52.2	-215.0

Cash flow from operating activities

Cash flow from operating activities was USD 192.4m in 2020 compared to USD 158.3m in 2019. The increase is mainly driven by a decrease in net working capital. This is supported by an improved EBITDA and a decrease in interest payments on the borrowings.

Cash flow used for investing activities

Cash flow used for investing activities was USD 9.2m in 2020 compared to USD 169.4m in 2019. The change is primarily due the delivery of two second hand handy vessels, one MR newbuilding and one LR2 newbuilding. This is offset by the proceeds received from the delivery of 15 vessels, which consists of six LR2 vessels, five handy vessels and four MR vessels.

Cash flow from financing activities

Cash flow from financing activities was USD -162.8m in 2020 compared to USD 52.2m in 2019, that was primarily due to dividends pay-out of USD 65m in 2020 (USD 0m), increase in loan repayments of USD 262.4m (USD 139.5m), offset by less proceeds from new financing USD 164.6m (USD 191.6m) compared to the same period last year.

CAPITAL STRUCTURE AND FUNDING

Amounts in USD million	2020	2019	Δ
Property, plant and equipment	1,055.4	1,160.4	-105.0
Equity	626.5	543.1	83.4
Borrowings	764.2	862.6	-98.4
Cash and cash equivalents	138.0	117.6	20.4
Net debt	545.2	715.7	-170.5

Property, plant and equipment

Property, plant and equipment decreased with USD 105.0m during 2020 due to sale of six LR2, five MR, five handy and four intermediate vessels of which 11 were delivered and nine were classified to assets held for sale at the end of the year; and depreciations for the period. This is offset by one MR newbuilding, one LR2 newbuilding, and two second hand handy vessels and instalments paid for LR2 newbuilding's.

Equity

Equity increased by USD 83.4m in 2020, primarily impacted by the profit for the year of USD 160.7m offset by dividends distributed of USD 65m as well as a negative impact from unrealised value adjustments on interest rate swaps of USD 12.2m as rates fell during the period. The equity share of total assets was 42.1% at the end of 2020 compared to 35.6% at the end of 2019.

Net debt

At 31 December 2020, net debt amounted to USD 545.2 (USD 715.7m), primarily comprising of gross borrowings of USD 764.2m (USD 862.6m), cash and cash equivalents of USD 138.0m (USD 117.6m) and deposits of USD 81m (USD29.2m). The decrease in gross borrowing is due to loan repayments. The Group has an unutilized credit facility of USD 23.3m as at December 31st 2020.

Expectation for 2021

The visibility toward 2021 remains low as a result of the COVID-19 pandemic with highly uncertain market outlook, however there is a high likelihood of slower economic growth and lower demands on tanker vessels in the first half of 2021, followed by a gradual rebound in the second half of the year on the back of rising demand and slower fleet growth. The results are expected to be significantly lower in 2021 compared to previous years even before the impact of sales and purchase transactions.

RISKS

Freight Rates

Maersk Product Tankers is exposed to fluctuations in global freight rates, bunker prices and vessel prices. Vessels are largely exposed in the spot market, but coverage is applied selectively if deemed attractive. Currently 9% of vessel days in 2021 have been covered through longer term time charters.

Currency and Interest rates

Maersk Product Tankers' income is mainly in USD, whereas spending is spread across several currencies, including USD. It is Maersk Product Tankers' policy to hedge at least 50% of the currency effect of non-USD denominated EBITDA for the next 12 months and hedge at least 80% of the currency effects of committed financial and investment flows and balances . As of 31 December 2020, Maersk Product Tankers had 52% (56% in 2019) of the exchange rate risk of its full year 2021 spend hedged through the use of FX hedges.

Maersk Product Tankers' primary financing currency is USD. The company has a range of LIBOR-based financings and is exposed to changes in interest rates. It is Maersk Product Tankers' policy to have at least 50% of its total debt on a fixed interest rate-equivalent basis, either through outright fixed-rate financing or by hedging floating-rate financing. As of 31 December 2020, 68% (71%) of Maersk Product Tankers' total debt was, by nature or through the use of swaps, fixed rate.

Counterparties

Maersk Product Tankers has exposure to financial and commercial counterparties and manages those exposures through the use of credit risk frameworks. To manage credit risks, a limit structure and vetting process has been put in place for all counterparties to avoid concentrations of credit exposure on particular counterparties or risk tranches.

FINANCIAL STATEMENTS

Consolidated financial statements | Parent company financial statements | Management's statement | Independent auditor's report

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement | Consolidated statement of comprehensive income | Consolidated balance sheet at 31 December | Consolidated cash flow statement | Consolidated statement of changes in equity | Notes to the consolidated financial statements

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CONSOLIDATED INCOME STATEMENT FOR 1 JANUARY TO 31 DECEMBER

Note	Amounts in USD thousands	2020	2019
	Revenue	663,584	727,721
1	Operating costs	- 447,896	- 518,350
	Other income	6,668	4,175
	Other costs	- 11,529	- 10,641
	Profit before depreciation and impairment losses (EBITDA)	**210,827**	**202,905**
2	Gain/loss on sale of non-current assets, etc., net	11,792	6,726
5	Depreciation, impairment losses and impairment reversals, net	- 24,859	- 77,572
	Profit/loss before financial items (EBIT)	**197,760**	**132,059**
3	Financial income	533	1,339
3	Financial expenses	- 39,555	- 42,059
	Profit/loss before tax	**158,738**	**91,339**
4	Tax	1,916	1,026
	Profit/loss for the year	**160,654**	**92,365**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	Amounts in USD thousands	2020	2019
	Profit/loss for the year	160,654	92,365
	Cash flow hedges		
	Value adjustment of hedges for the year	- 4,723	- 12,289
	Reclassified to income statement:		
	- vessel operating costs	507	- 1,547
	- financial expenses	- 8,026	- 1,210
	Tax on other comprehensive income	0	0
	Total items that have been or may be reclassified subsequently	**- 12,242**	- 15,046
	Other comprehensive income, net of tax	**- 12,242**	- 15,046
	Total comprehensive income for the year	**148,412**	**77,319**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

Note	Amounts in USD thousands	2020	2019
5	Property, plant and equipment	1,055,391	1,160,371
6	Right-of-use asset	430	717
	Deposits	1	1
	Total non-current assets	**1,055,822**	**1,161,089**
	Inventories	**17,376**	**23,375**
	Trade receivables	45,282	102,563
	Derivatives	1,177	0
	Deposits	80,955	29,217
	Other receivables	14,424	14,792
	Prepayments	9,243	10,499
	Other current assets	**151,081**	**157,071**
	Cash and cash equivalents	**137,987**	**117,619**
7	**Assets held for sale**	**124,618**	**68,323**
	Total current assets	**431,062**	**366,388**
	Total assets	**1,486,884**	**1,527,477**

Note	Amounts in USD thousands	2020	2019
	Share capital	1,590	1,590
	Retained Earnings	505,970	495,320
	Reserves for Hedging	- 31,032	- 18,795
	Dividend proposed for the year	150,000	65,000
	Total equity	**626,528**	**543,115**
15	Derivatives	21,934	14,089
8	Borrowings, non-current	402,630	751,254
	Total non-current liabilities	**424,564**	**765,343**
8	**Borrowings, current**	**361,520**	**111,327**
10	Provisions	4,222	3,329
	Trade payables	37,606	60,114
	Tax payables	798	216
	Other payables	10,444	31,164
15	Derivatives	10,275	4,707
	Deferred income	10,927	8,162
	Other current liabilities	**74,272**	**107,692**
	Total current liabilities	**435,792**	**219,020**
	Total liabilities	**860,356**	**984,362**
	Total equity and liabilities	**1,486,884**	**1,527,477**

CONSOLIDATED CASH FLOW STATEMENT

Note	Amounts in USD thousands	2020	2019
	Profit/Loss before financial items (EBIT)	**197,760**	**132,060**
	Depreciation, impairment	24,859	77,572
2	Gain/Loss on sale of non-current assets	- 11,792	- 6,726
	Profit before depreciation and impairment losses (EBITDA)	**210,827**	**202,906**
	Change in working capital	23,944	- 7,951
	Change in provisions	575	4
	Other non-cash items	- 3,886	2,010
	Cash generated from operations before financial items and tax	**231,460**	**196,969**
	Interest received	533	1,339
	Interest paid	- 42,421	- 44,401
	Tax received	2,815	4,399
	Net cash from operating activities	**192,387**	**158,306**
	Purchase of vessels	- 208,447	- 251,149
	Deposits for sale/purchase of vessels	4,320	- 2,729
	Proceeds from disposal	246,712	113,749
	Deposits placed	- 51,737	- 29,317
	Net cash from investing activities	**- 9,152**	**- 169,446**
	Dividend distributed	- 65,000	0
	Proceeds from new borrowings	164,575	69,059
	Proceeds from other borrowings	0	122,695
	Repayment of borrowings	- 262,417	- 139,525
	Net cash from financing activities	**- 162,842**	**52,229**
	Net cash flow for the year	**20,393**	**41,089**
	Liquid funds at beginning of period	117,619	76,531
	Exchange gain/loss on Liquid funds	- 24	- 1
	Liquid funds at end of period	**137,987**	**117,619**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD thousands	Share capital	Reserve for hedges	Retained Earnings	Dividend Proposed	Total equity
Equity 1 January 2019	1,590	- 3,749	467,956	0	465,796
Profit/loss for the year	0	0	27,365	65,000	92,365
Other comprehensive income	0	- 15,046	0	0	- 15,046
Total comprehensive income for the year	**0**	**- 15,046**	**27,365**	**65,000**	**77,319**
Equity 31 December 2019	**1,590**	**- 18,795**	**495,321**	**65,000**	**543,115**
2020					
Profit/loss for the year	0	0	10,654	150,000	160,654
Other comprehensive income, net of tax	0	- 12,237	- 5	0	- 12,242
Total comprehensive income for the year	**0**	**- 12,237**	**10,654**	**150,000**	**148,412**
Dividends to shareholders	0	0	0	- 65,000	- 65,000
Total transactions with shareholders	**0**	**0**	**0**	**-65,000**	**-65,000**
Equity 31 December 2020	**1,590**	**- 31,032**	**505,970**	**150,000**	**626,528**

The share capital consists of 10 million shares with a nominal value of DKK 1 per share. The shares are divided into two share classes; A (nominal value DKK 2.5m) and B (nominal value DKK 7.5m) with A shares carrying three votes and B shares carrying one vote in voting power.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Operating costs

Amounts in USD thousands	2020	2019
Bunker costs	120,524	149,346
Voyage costs	37,271	45,023
Vessel operating costs	169,306	171,904
Port costs	84,716	108,169
Staff costs	6,256	5,578
Management fees	35,952	35,824
Other operating costs	- 6,129	2,506
Total operating costs	**447,896**	**518,350**
Remuneration of employees		
Wages and salaries	5,731	5,051
Other Benefits	251	81
Pension costs, defined contribution plans	29	26
Social Security Contributions	245	420
Total remuneration	**6,256**	**5,578**
Average number of employees	38	35

The remuneration of Executive Management of USD 2.3m (2.2m) in salaries and any incentive plans is included in the management fees paid to Maersk Tankers A/S.

The Board of Directors have received fees of USD 0.1m (USD 0.1m).

Fees to PricewaterhouseCoopers[1]

Amounts in USD thousands	2020	2019
Statutory audit	62	55
Other assurance engagements	0	0
Tax advisory services	0	0
Other Services	65	35
Total fees	**127**	**90**

[1] Fee to PricewaterhouseCoopers, Statsautoriseret Revisionsaktieselskab amounts to USD 127k (USD 90k).

Note 2: Gain on sale of non-current assets, etc., net

Amounts in USD thousands	2020	2019
Gains on sale of vessels	12,407	6,825
Losses on sale of vessels	- 615	- 97
Gain/loss on sale of non-current assets, etc., net	11,792	6,726

Note 3: Financial income and expenses

Amounts in USD thousands	2020	2019
Interest expenses on liabilities	- 41,816	- 44,383
Of which borrowing costs capitalised on assets[1]	2,345	2,492
Interest income on loans and receivables	533	1,339
Net interest expenses	**- 38,938**	**- 40,552**
Exchange rate losses on bank balances, borrowings and working capital	- 84	- 168
Net foreign exchange gains/losses	**- 84**	**- 168**
Financial expenses, net	**- 39,022**	**- 40,720**
Of which:		
Financial income	533	1,339
Financial expenses	- 39,555	- 42,059

[1] The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is 4.4% (5.1%).

For an analysis of gains and losses from derivatives, reference is made to note 15.

Note 4: Tax

Amounts in USD thousands	2020	2019
Tax recognised in the income statement		
Current tax on profits for the year	- 868	- 463
Adjustment for current tax of prior periods	3,035	1,611
Total current tax	**2,167**	**1,148**
Total income tax	2,167	1,148
Tonnage and freight tax	- 251	- 122
Total tax expense/income	**1,916**	**1,026**
Tax reconciliation		
Profit/loss before tax	158,738	91,340
Profit/loss subject to Danish and foreign tonnage taxation, etc.	- 197,760	- 132,059
Profit/loss before tax, adjusted	**- 39,022**	**- 40,719**
Tax using the Danish corporation tax rate (22.0%)	8,585	8,958
Tax rate deviations in foreign jurisdictions	- 161	- 31
Adjustment to previous years' taxes	3,035	1,610
Other differences, net	- 958	- 431
Loss not expected to be utilised	- 8,585	- 8,958
Total income tax	**1,916**	**1,148**

Shipping activities are taxed on the basis of the net tonnage (tonnage tax). Furthermore, Maersk Product Tankers A/S is part of a joint taxation with A.P. Møller Holding A/S and its Danish subsidiaries regarding general tax regulations for net financial items and other activities.

Amounts in USD thousands	2020	2019
Tax loss carry forward	86,465	29,073
Total	**86,465**	**29,073**

The tax value of the loss carry forward is USD 19.0m (USD 6.4m). The unrecognised deferred tax assets have no significant time limitations and relates to tax loss not expected to be utilised.

Note 5: Property, plant and equipment incl. impairment

Amounts in USD thousands	Vessels	Assets under construction	Total
Cost			
1 January 2019	2,666,574	53,774	2,720,348
Addition	109,606	144,034	253,641
Disposal	- 301,569	0	- 301,569
Transfer	135,545	- 135,545	0
Transfer, assets held for sale	- 191,101	- 905	- 192,006
31 December 2019	2,419,055	61,359	2,480,414
Addition	67,405	143,402	210,807
Disposal	- 395,788	0	- 395,788
Transfer	97,296	- 97,296	0
Transfer, assets held for sales	- 301,286	0	- 301,286
31 December 2020	1,886,682	107,465	1,994,147
Depreciation and impairment losses			
1 January 2019	1,537,915	22,928	1,560,843
Depreciation	113,836		113,836
Period impairment loss	29,581		29,581
Reversal of impairment	- 65,988		- 65,988
Disposal	- 195,451		- 195,451
Transfer	13,258	- 13,258	0
Transfer, assets held for sale	- 122,778		- 122,778
31 December 2019	1,310,373	9,670	1,320,043
Depreciation	104,956		104,956
Period impairment loss	1,991		1,991
Reversal of impairment	- 82,375		- 82,375
Disposal	- 215,609		- 215,609
Transfer	2,932	- 2,932	0
Transfer, assets held for sale	- 190,250		- 190,250
31 December 2020	932,018	6,738	938,756
Carrying amount			
31 December 2019	1,108,682	51,689	1,160,371
31 December 2020	954,664	100,727	1,055,391

Note 5: Property, plant and equipment incl. impairment-continued

In December 2020, the Group has entered into an agreement for the sale of 14 MR product tankers. The transaction resulted in a reversal of impairment of USD 64.6m. Under the terms of the deal, nine of the vessels will be bareboat chartered back and therefore will be accounted as a finance transaction and not a sale due to purchase options. Apart from the reversal of impairment there will be no other impact on property, plant and equipment and profit and loss.

In addition, the Group has entered into an agreement to sell four intermediate vessels and five LR2 vessels. The transaction resulted in a reversal of impairment of USD 14.7m on the LR2 vessels and an additional impairment of USD 1.6m on the intermediate vessels in December 2020.

As both agreements concluded in 2020 are assessed to be specific for these vessels and similar agreements on the remainder of the vessels are not obtainable, it has been concluded that the transactions do not trigger a reversal or an additional impairment on other vessels within the Groups CGUs.

Impairment tests of property, plant and equipment are carried out for cash generating units with indications of impairment losses or reversals. No indicators of a need for additional impairments or reversal of impairment have been identified as of 31 December 2020 as the longer term expectations have not changed significantly.

Property, plant and equipment include four vessels that are recognised as a part of a sale and leaseback transaction, which is accounted for as a financing transaction due to purchase options. The carrying amount of the vessels as per 31 December 2020 amounts to USD 109.4m (cost price USD 145.8m less depreciation and impairment of USD 35.7m). The transaction resulted in a reversal of impairment of USD 26.3m in 2019, based on fair value less cost to sell.

In 2019 Management's assessment led to an impairment of USD 29.6m related to the Intermediate segment due to an expected continuation of the low asset values impacted by the rates not picking up as in other segments and the illiquid second hand market which led the recoverable amount for Intermediate segment to be USD 103.7m

The recoverable amount of each cash generating unit (CGU) is determined on the basis of the higher of its value-in-use or fair value less cost to sell. The value-in-use is calculated using certain key assumptions for the expected future cash flows and applied weighted average cost of capital of 8.0% (8.0%).

The cash flow projections are based on financial budgets and business plans approved by management. In nature, these projections are subject to judgement and estimates that are uncertain, though based on experience and external sources where available. Key assumptions comprise of freight rates, operating costs, inflation, discount rates, vessel useful life and expected sales price. The discount rates applied reflect the time value of money as well as the specific risks related to the underlying cash flows. Any uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates.

Note 6: Leases

Amounts in USD thousands	Land and buildings	Total
Recognition of right-of-use asset on initial application		
As at 1 January 2019	0	0
Addition	860	860
Depreciation	- 143	- 143
As at 31 December 2019	717	717
Depreciation	- 287	- 287
As at 31 December 2020	430	430
Net Carrying amount		
As at 31 December 2019	717	717
As at 31 December 2020	430	430
Lease liability		
As at 1 January 2019		
Additions	860	860
Interest expense	20	20
Lease payments	- 151	- 151
Foreign exchange movements	4	4
As at 31 December 2019	733	733
Interest expense	27	27
Lease payments	- 274	- 274
Foreign exchange movements	- 5	- 5
As at 31 December 2020	481	481

Note 6: Leases continued

Lease liabilities are recognised in the balance sheet as follows		
Non-current liabilities, presented in borrowings, non-current	217	217
Current liabilities, presented in borrowings, current	264	264
	481	481
Recognised in the profit and loss statement as follows:		
2019		
Interest expense relating to lease liability	20	20
	20	20
2020		
Interest expense relating to lease liability	27	27
	27	27
Recognised in the cash flow statement as follows:		
2019		
Interest elements of lease payments, presented in "interest paid"	- 20	- 20
Principal elements of lease payments, presented in "repayment of borrowings"	- 131	- 131
	- 151	- 151
2020		
Interest elements of lease payments, presented in "interest paid"	- 27	- 27
Principal elements of lease payments, presented in "repayment of borrowings"	- 247	- 247
	- 274	- 274

Note 7: Assets held for sale and assets sold during the year

During the year 2020, the Group sold 20 vessels. 11 vessels were delivered to the new owners during the period and nine vessels will be delivered to the new owners in 2021 and are presented as assets held for sale for USD 110.9m. In addition, the Group has one vessel from 2019 that is still classified as asset held for sale in 2020, contributing to a total amount of USD 124.7m as at end of 2020.

The sales of 20 vessels has led to a reversal of impairment of USD 82.4m offset by an impairment of USD 2.0m

Note 8: Borrowings

Amounts in USD thousands	2020	2019
Bank and other credit institutions	763,669	861,848
Lease liabilities	481	733
Total	764,150	862,581
Of which:		
Classified as non-current	402,630	751,254
Classified as current	361,520	111,327
Derivatives hedge of borrowings, net	32,209	18,616

Amounts in USD thousands	Borrowings	Leases	Total
Cost			
1 January 2019	809,122	0	809,122
Cashflows	52,726	- 127	52,599
Acquisition of leases	0	860	860
31 December 2019	861,848	733	862,581
Cashflows	- 98,179	- 252	- 98,431
31 December 2020	763,669	481	764,150

Reference is made to Liquidity risk in Note 12 of the consolidated financial statements for covenants related to borrowings.

Note 9: Net Debt

Amounts in USD thousands	2020	2019
Borrowings	764,150	862,581
Deposits	- 80,955	- 29,217
Cash and cash equivalents	- 137,987	- 117,619
Net debt	**545,208**	**715,745**

Note 10: Provisions

Amounts in USD thousands	2020
1 January 2020	3,329
Provision made	2,241
Amount used	- 295
Amount reversed	- 1,053
31 December 2020	4,222
Of which:	
Classified as non-current	0
Classified as current	4,222

The majority of the provisions are to cover commercial claims and are expected to be settled within one year.

Note 11: Financial Instruments by Category

Amounts in USD thousands	Carrying amount 2020	Fair Value 2020	Carrying amount 2019	Fair Value 2019
Carried at amortized cost				
Deposits	80,955	80,955	29,218	29,218
Total interest-bearing receivables	**80,955**		**29,218**	
Trade receivables	45,282		102,562	
Other receivables	14,424		14,792	
Cash and cash equivalents	137,987		117,619	
Financial assets at amortized costs	**278,648**		**264,191**	
Carried at fair value				
Derivatives	1,177	1,177	0	0
Total financial assets	**279,825**		**264,191**	
Carried at amortized costs				
Borrowings	763,669	763,669	861,848	861,848
Lease liabilities	481		733	
Trade payables	37,606		60,114	
Other payables	10,444		31,164	
Financial liabilities at amortized costs	**812,200**		**953,859**	
Carried at fair value				
Derivatives	32,209	32,209	18,796	18,796
Total financial liabilities	**844,409**		**972,655**	

Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three levels:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 — Inputs for the asset or liability that are not based on observable market data.

Fair value of derivatives is within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period.

Note 11: Financial instruments by category continued

Financial instruments carried at amortised cost
Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, however, this was deemed to be the fair value.

Note 12: Financial risks, etc.

The Group's activities expose it to a variety of financial risks:

- Market risks, i.e. currency risk and interest rate risk
- Credit risk
- Liquidity risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's profit or the value of its holdings of financial instruments.

The sensitivity analyses for currency risk and interest rate risk have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies remain unchanged from hedge designations in place at 31 December 2019. Furthermore, it is assumed that the exchange rate and interest rate sensitivities have a symmetric impact, i.e. an increase in rates results in the same absolute movement as a decrease in rates.

The sensitivity analyses show the effect on both pre-tax profit and equity that would result from a reasonably possible change in exchange rates and interest rates.

Currency risk
The Group's currency risk relates to the fact that while income from shipping activities is denominated mainly in USD, the related expenses are incurred in both USD and a wide range of other currencies such as DKK, EUR, SGD and GBP. As the net income is in USD, this is also the primary financing currency.

The main purpose of hedging the Group's currency risk is to mitigate the impact of changes in the USD value of the Group's net cash flow and hence reduce associated volatility in the Group's profit. The Group uses forwards to hedge these risks. The key aspects of the currency hedging policy are as follows:

- Net cash flows in other significant currencies than USD are hedged using a layered model with a 12-month horizon.
- Commercial and financial exposures such as investments, divestments and debt in currencies other than USD are hedged according to the financial policy.

An increase in the USD exchange rate of 10% against all other significant currencies to which the Group is exposed is estimated to have an impact of USD 0.9m on the Group's profit and loss and an adverse impact of USD 2.1m (2.0) on the other comprehensive income.

Interest rate risk
The Group has all its debt denominated in USD.

The Group strives to maintain a combination of fixed and floating interest rates on its net debt, reflecting expectations and risks. The hedging of the interest rate risk is governed by a minimum level of fixed rate debt obtained through the use of interest rate swaps. As of 31 December 2020, 68% (71%) of the Group's total debt was, by nature or through the use of swaps, fixed rate.

An increase in interest rates by one percentage point is estimated to decrease profit for the year by USD 0.6m and increase other comprehensive income by USD 13.1m (2019: decrease profit for the year by USD 1.0m and increase other comprehensive income by USD 17m). This analysis is based on borrowings and loan receivables at 31 December, and assumes that all other variables remain constant. A one percentage point decrease in interest rates would have a corresponding inverse effect.

Borrowings bearing fixed interest include the effect of interest rate swaps.

Note 12: Financial risks, etc.-continued

Borrowings by interest rate level - Amounts in USD thousands	Carrying amount	0-1 year	1-5 years	5- years
2020				
0-3%	649,555	355,167	276,160	18,229
3-6%	114,595	6,352	36,920	71,323
Of which:				
Bearing fixed interest	562,708			
Bearing floating interest	201,442			
2019				
3-6%	862,581	111,327	540,805	210,449
Of which:				
Bearing fixed interest	641,665			
Bearing floating interest	220,916			

Credit risk

Trade receivables

Maersk Product Tankers has exposure to financial and commercial counterparties and actively manages those exposures through our credit risk frameworks. To minimise the credit risk, a limit structure and vetting process is in place for all counterparties, to ensure that concentrations of credit exposure on particular counterparties or risk tranches are avoided.

The Group applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. In accordance with IFRS 9, also non-due trade receivables have been impaired.

Maturity analysis of trade receivables	2020	2019
Receivables not due	34,318	70,789
Less than 90 days overdue	10,550	29,940
More than 90 days overdue	1,377	6,683
Receivables, gross	46,245	107,412
Expected credit loss	- 963	- 4,849
Carrying amount	**45,282**	**102,563**

Approx. 40.1% (79.8%) of the expected credit loss is related to trade receivables overdue by more than one year.

Liquidity risk

In order to provide cover for the cyclical nature of the business, the Group is committed to keep a minimum liquidity reserve. The purpose of the Group's liquidity reserve is to ensure that short-term payment obligations can be honoured at all times and ensure compliance with financial covenants from lenders. The financial covenants from lenders are related to minimum cash position, minimum loan to value ratio and equity-to-assets.

All loans have cross-default clauses. As of 31 December 2020, the Group had a liquidity reserve of USD 161.3m (177.4m). The equity share of total equity and liabilities was 42.1% at the end of 2020 (35.6%).

Liquidity reserve is defined as undrawn loan facilities with maturities in excess of 12 months, cash and bank balances.

Note 12: Financial risks, etc.-continued

Maturities of liabilities and commitments		Cash flows including interest			
Amounts in USD thousands	Carrying amount	0-1 year	1-5 years	5- years	Total
2020					
Borrowings	763,669	375,855	347,627	117,514	840,996
Lease liabilities	481	312	187	0	499
Trade payables	37,606	37,606	0	0	37,606
Other payables	10,444	10,444	0	0	10,444
Non-derivative financial liabilities	812,200	424,217	347,814	117,514	889,545
Derivatives, payables	32,209	10,275	20,291	1,643	32,209
Total recognised in balance sheet	844,409	434,492	368,105	119,157	921,754
Capital commitments	301,786	195,436	106,351	0	301,786
Total	1,146,195	629,928	474,456	119,157	1,223,540
2019					
Borrowings	861,849	143,038	622,249	233,331	998,618
Lease liabilities	733	286	493	0	779
Trade payables	60,114	60,114	0	0	60,114
Other payables	31,164	31,164	0	0	31,164
Non-derivative financial liabilities	953,860	234,602	622,742	233,331	1,090,675
Derivatives, payables	18,796	4,707	12,850	1,239	18,796
Total recognised in balance sheet	972,656	239,309	635,592	234,570	1,109,471
Capital commitments	421,209	191,852	229,357	0	421,209
Total	1,393,865	431,160	864,949	234,570	1,530,680

The weighted average term to maturity of loan facilities in the Group is about three years and ten months (about six and a half years at 31 December 2019).

Note 13: Commitments

Amounts in USD thousands	Newbuilding of vessels
2020	
Capital commitments relating to acquisition of non-current assets	301,786
2019	
Capital commitments relating to acquisition of non-current assets	421,209

	2021	2022	Total
Capital commitments relating to vessels	195,436	106,351	301,786
Number of Vessels	5	3	8

The Group has commitments for eight LR2 vessels in total. The capital commitments will be financed by cash flow from operating activities as well as existing and new loan facilities.

Note 14: Cash flow specifications

Amounts in USD thousands	2020	2019
Inventories	5,999	- 755
Trade receivables	61,187	- 26,974
Other receivables and prepayments	1,625	- 6,502
Trade payables and other payables	- 44,783	26,345
Exchange rate adjustment of working capital	- 84	- 65
Change in working capital Total	**23,944**	**- 7,951**
Additions	- 210,807	- 253,641
Additions of which leases	15	0
Additions of which borrowing costs capitalised on assets	2,345	2,492
Purchase of property, plant and equipment	**- 208,447**	**- 251,149**

Note 15: Derivatives

Hedges consists of currency derivatives and interest rate derivatives. Foreign exchange forwards contracts are used to hedge the currency risk related to recognised and unrecognised transactions. Interest rate swaps are used to hedge interest rate exposure on borrowings.

Amounts in USD thousands	2020	2019
Non-current receivables	0	0
Current receivables	1,177	0
Non-current liabilities	21,934	14,089
Current liabilities	10,275	4,707
Liabilities, net	31,032	18,796

Hedge of operating cash flows in foreign currencies

Currency derivatives hedge future operating costs and are recognised on an ongoing basis in the income statement. The maturity of the hedges are within a year.

For hedges related to operating cash flows USD 1.2m is recognised in other comprehensive income and the cash flow hedge reserve in equity.

Amounts in USD thousands	2020	2019
Hedging foreign exchange risk on operating costs	1,177	- 180
Hedging interest rate risk	- 32,209	- 18,616
Total effective hedging	- 31,032	- 18,796
Ineffectiveness recognised in financial expenses	0	0
Total reclassified from equity reserve for hedges	- 31,032	- 18,796

Hedge of borrowings

Interest rate swaps are used to swap variable interest payments on term loans to fixed interest payments. All interest rate swaps are designated as cash flow hedges.

The notional amount of interest rate swaps at 31 December 2020 amounts to USD 448.6m (521.0m) and are all denominated in USD. The average fixed rate of the interest rate swaps are 1.83% (2.26%).

For cash flow hedges related to borrowings USD 32.2m (18.6m) is recognised in other comprehensive income and the cash flow hedges reserve in equity.

The hedge ratio are 1:1 for all hedging relationships.

The fair value of derivatives held at the balance sheet date can be allocated by type as follows:

Amounts in USD thousands	Fair value, asset 2020	Fair value, liability 2020	Nominal amount of derivative 2020	Fair value, asset 2019	Fair value, liability 2019	Nominal amount of derivative 2019
Interest rate swaps						
- cash flow hedges	0	32,209	448,604	0	18,616	520,990
- fair value hedges	0	0	0	0	0	0
Total	**0**	**32,209**	**448,604**	**0**	**18,616**	**520,990**
Hedge of cash flows and investments in foreign currencies						
Main currencies hedged						
- EUR	442	0	7,703	0	173	12,882
- DKK	660	0	11,000	0	28	11,300
Other currencies	75	0	2,100	0	- 21	2,050
Total	**1,177**	**0**	**20,803**	**0**	**180**	**26,232**

For information about risk management strategy, currencies, maturities, etc. reference is made to note 12.

Note 16: Related parties

Amounts in USD thousands	2020	2019
Income statement		
Revenue	0	0
Operating costs	- 35,952	- 35,805
Other income	3,465	2,779
Financial expenses	0	0
Assets		
Trade receivables	540	691
Other receivables	9,994	10,693
Liabilities		
Bank and other credit institutions, etc. current	0	0
Other borrowings	5,417	0
Trade payables	2,832	3,007
Other payables	1,318	1,642

A.P. Møller Holding A/S, Copenhagen, Denmark has control over the Company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner. Other related parties include A.P. Møller Holding A/S and all its subsidiaries and affiliates.

The company's vessels participate in commercial pools (Maersk Tankers-Afra Pool, Maersk Tankers-Handytankers Pool, Maersk Tankers-Intermediate Pool, Maersk Tankers-LR2 Pool, Maersk Tankers-MR pool).

Note 17: Contract Balances

Amounts in USD thousands	2020	2019
Trade receivables from contracts with customers	31,323	54,379
Accrued income-contract asset	13,732	35,467
Deferred income-contract liability	10,927	8,162

The Group has entered into contracts with an income value of USD 17.7m (USD 24.9m) within one year and USD 1.4m (USD 12.4) within 1-2 years.

Revenue relates to spot voyages, voyages under contracts of affreightment (COAs) and limited lease income

Accrued income included in trade receivables in the balance sheet constitutes contract assets comprising unbilled amounts to customers representing the company's rights to consideration for services transferred to date. Any amount previously recognised as accrued income is reclassified to trade receivables at the time it is invoiced to the customer.

Under the payment terms generally applicable to the company's revenue generating activities, prepayments are received only to a limited extent. Typically, payment is due upon or after completion of the services.

Part of the deferred income presented in the balance sheet constitutes contract liabilities which represents advance payments and billings in excess of revenue recognised.

Note 18: Significant accounting policies

Basis of preparation
The consolidated financial statements for 2020 for Maersk Product Tankers A/S (hereafter: "Maersk Product Tankers") have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

The consolidated financial statements of Maersk Product Tankers are included in the consolidated financial statements of A.P. Møller Holding A/S.

Changes to accounting policies
Accounting policies remain unchanged from the Annual report 2019 with the exception of the following accounting standards that are effective from 1 January 2020 and endorsed by the EU:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Business Combinations
- Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform

The adoption of the new and changed standards has no material impact on the Maersk Product Tankers consolidated annual report for 2020.

Consolidation
The consolidated financial statements consist of Maersk Product Tankers and its two subsidiaries; Maersk Tankers Singapore Pte. Ltd. and Maersk Tankers UK Ltd.

Subsidiaries are entities controlled by Maersk Product Tankers. Control is based on the power to direct the relevant activities of an entity and the exposure, or right, to variable returns arising from it. In that connection, relevant activities are those that significantly affect the investee's returns. Control is usually achieved by directly or indirectly owning or in other ways controlling more than 50% of the voting rights or by other rights, such as agreements on management control.

Foreign currency translation
The consolidated financial statements are presented in USD, the functional currency of the parent company. Transactions in currencies other than the functional currency are translated at the exchange rate prevailing at the date of the transaction. Monetary items in foreign currencies not settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. Foreign exchange gains and losses are included in the income statement as financial income or expenses.

INCOME STATEMENT

Revenue
Revenue is recognised when the performance obligation has been satisfied, which happens upon the transfer of control to the customer at an amount that reflects the consideration to which Maersk Product Tankers expects to be entitled in exchange for the services. Revenue from ongoing voyages at the balance sheet date is recognised following the "load to discharge" method, where freight income and related expenses are recognised in the income statement from the first load date of the voyage to the discharge date of the cargo. Invoiced revenue related to an estimated proportion of remaining voyage time and activities at the destination port is deferred.

Lease income from operating leases is recognised over the lease term. Demurrage claims are recognised if they are considered probable.

The majority of the company's vessels participate in commercial pools (Maersk Tankers-Afra Pool, Maersk Tankers-Handytankers Pool, Maersk Tankers-Intermediate Pool, Maersk Tankers-LR2 Pool, Maersk Tankers-MR pool) in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers.

The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognised when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Financial items
Financial income and expenses are recognised in the income statement at the amount relating to the financial year. Financial items include interest income and expense, and gains and losses on transactions in foreign currency.

Tax for the year
The company is subject to Danish corporate taxation. Part of the taxable income is calculated in accordance with Danish tonnage tax act. The tax compromises of an estimate of current and deferred income tax as well as any adjustments to previous years.

OTHER COMPREHENSIVE INCOME
Other comprehensive income consists of income and costs not recognised in the income statement including cashflow- and fair value adjustments.

Note 18: Significant accounting policies-continued

Derivative financial instruments

Derivative financial instruments are recognised on the trading date and measured at fair value using generally acknowledged valuation techniques based on relevant observable swap curves and exchange rates. The effective portion of changes in the value of derivative financial instruments designated to hedge highly probable future transactions is recognised in other comprehensive income until the hedged transactions are realised. At that time, the cumulated gains/losses are transferred to the items under which the hedged transactions are recognised.

The effective portion of changes in the value of derivative financial instruments used to hedge the value of recognised financial assets and liabilities is recognised in the income statement together with changes in the fair value of the hedged assets or liabilities that can be attributed to the hedging relationship.

Currency basis spread and forward points are considered a cost of hedge and included in the fair value.

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment are valued at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the useful lives at an estimated residual value. The useful lives of new assets are typically 20 years for vessels.

Estimated useful lives and residual values are reassessed on a regular basis.

The cost of an asset is divided into separate components, which are depreciated separately if the useful lives of the individual components differ. Dry-docking costs are recognised in the carrying amount of vessels when incurred and depreciated over the period until the next dry-docking. Dry-docking cycles are typically five years. The cost of assets includes directly attributable expenses. For assets with a long construction period, borrowing costs during the construction period from specific as well as general borrowings are attributed to cost. Property, plant and equipment are tested for impairment indication on an annual basis. Impairment losses are recognised when the carrying amount of an asset or a cash-generating unit exceeds the higher of the estimated value in use and fair value costs of disposal.

Assets held for sale

Assets held for sale are measured at the lower of carrying amount immediately before classification as held for sale and fair value less costs to sell and impairment tests are performed immediately before classification as held for sale. Non-current assets are not depreciated or amortised while classified as held for sale. Measurement of deferred tax and financial assets and liabilities is unchanged.

Leases

Lease contracts, under which the Group is the lessee, are capitalised using an incremental borrowing rate and recognised in the balance sheet as right-of-use assets and corresponding lease liabilities. The right-of-use assets are generally depreciated over the lease term. Lease payments made are split into an interest element presented under financial expenses and amortisation of the lease liability. Both elements are included under cash flow from financing activities in the cash flow statement.

Lease contracts with a term shorter than 12 months or for which the underlying asset are of low value are not capitalised but expensed straight-line over the lease term.

Sale and leaseback

Sales and leaseback transactions for which the Group maintains substantially all the risks and rewards incidental to economic ownership, are recognised on the balance sheet as finance lease liability. Transactions for which the sale of the vessels does not fulfil the conditions for being recognised as a sale are instead recognised as a financing transaction.

Lease liability are measured at the start of the leasing contract at the lower of the present value of minimum lease payments determined in the lease contract and the assets' fair value, plus any incidental expense borne by the lessee.

For the purpose of calculating the present value, the interest rate implicit in the lease is used as discount factor. Liabilities for financial leases are recognised on the balance sheet and the interest included in the lease payment is charged to the income statement.

Inventories

Inventories mainly consist of bunker, lubricants and spare parts. Inventories are measured at cost according to the FIFO method.

Receivables

Receivables are initially recognised at fair value, plus any direct transaction costs and subsequently measured at amortised cost using the effective interest method. For other receivables, write-down is made for anticipated losses based on specific individual or group assessments. For trade receivables, the loss allowance is measured in accordance with IFRS 9 applying a provision matrix in order to calculate the impairment.

Note 18: Significant accounting policies-continued

Equity
Equity includes total comprehensive income for the year comprising the profit/loss for the year and other comprehensive income. Reserve for hedges includes the accumulated fair value of derivatives qualifying for cash flow hedge accounting, net of tax as well as forward points and currency basis spread.

Provisions
Provisions are recognised when Maersk Product Tankers has a present legal or constructive obligation from past events. The item includes, among other things, legal disputes. Provisions are recognised based on best estimates and are discounted where the time element is significant and where the time of settlement is reasonably determinable.

Financial liabilities
Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities.

Cash flow statement
The cash flow statement shows the Company's cash flows and cash and cash equivalents at the beginning and the end of the period.

Cash flow from operating activities is presented using the indirect method and includes all cash transactions other than cash flows arisen from investments and divestments, principal payments of loans and equity transactions. Capitalisation of borrowing costs is considered as non-cash items, and the actual payments of those are included in cash flow from operations.

Discontinued operations
Discontinued operations represent a separate line of business disposed of. The results of discontinued operations are presented separately in the income statement and the cash flows from discontinued operations are presented separately in the cash flow statement with restatement of comparative figures. Assets and liabilities held for sale from discontinued operations are presented as separate items in the balance sheet

Definitions
Free cash flow
Cash flow from operating activity less cash flow from investing activities

Profit margin
Profit or loss before depreciation and impairment divided by Revenue

Equity ratio
Equity at the year-end divided by total assets

Return on equity
Profit/loss for the year divided by average equity

Note 19: Significant accounting estimates and judgements

The preparation of the consolidated financial statements requires management, on an ongoing basis, to make judgements and estimates and form assumptions that affect the reported amounts. Management forms its judgements and estimates on historical experience, independent advisors and external data points as well as in-house specialists and on other factors believed to be reasonable under the circumstances.

In certain areas, the outcome of business plans, including ongoing negotiations with external parties to execute those plans or to settle claims that are raised against Maersk Product Tankers, is highly uncertain. Therefore, assumptions may change or the outcome may differ in the coming years, which could require a material upward or downward adjustment to the carrying amounts of assets and liabilities. This note includes the areas in which Maersk Product Tankers is particularly exposed to a material adjustment of the carrying amounts as at the end of 2020.

GENERAL

Freight rates
The future development in the freight rates is an uncertain and significant factor impacting Maersk Product Tankers where financial results are directly affected by the fluctuation in the freight rates, which also has a direct impact on the net realizable value of the vessels owned by the Group. Freight rates are influenced by the global economic environment and trade patterns, as well as industry specific trends in respect of supply and demand of capacity.

Oil prices
The future development in the oil price is uncertain and impacting accounting estimates and financial results. Maersk Product Tankers is directly impacted by the price of bunker oil, where the competitive landscape determines the extent to which the development is reflected in the freight rates charged to the customer.

Note 19: Significant accounting estimates and judgements continued

Vessel values

The vessel values including newbuildings and second hand vessels, are exposed to the volatility in the industry and global economy, which among others includes global freight rates, newbuilding costs, emission regulations and steel prices.

PROPERTY, PLANT AND EQUIPMENT

Impairment considerations

Impairment tests of property, plant and equipment are carried out for cash generating units with indications of impairment losses or reversals. No indicators of a need for additional impairments or reversal of impairment have been identified as of 31 December 2020 as the longer term expectations have not changed significantly.

The recoverable amount is determined as the higher of fair value less cost to sell (based on broker valuations) and value-in use. The calculations are sensitive to expected future market rates in addition to the discount rate.

Depreciation and residual values

Useful lives are estimated based on past experience. Management decides from time to time to revise the estimates for individual assets or groups of assets with similar characteristics due to factors such as quality of maintenance and repair, technical development and environmental requirements.

Residual values are difficult to estimate given the long lives of vessels, the uncertainty as to future economic conditions and the future price of steel, which is considered as the main determinant of the residual price. As a general rule, the residual values of vessels are initially estimated at 10% of the purchase price excluding dry-docking costs. The long-term view is prioritised in order to disregard, to the extent possible, temporary market fluctuations which may be significant.

Provisions for commercial claims, legal disputes, etc.

Management's estimate of the provisions in connection with commercial claims, legal disputes, including disputes on taxes and duties, is based on the knowledge available on the actual substance of the cases and a legal assessment of these. The resolution of legal disputes, through either negotiations or litigation, can take years to complete and the outcome is subject to considerable uncertainty.

Maersk Product Tankers is engaged in disputes of varying scope. Appropriate provisions have been made where the probability of payment in individual cases is considered more likely than not.

Note 20: Contingent assets, liabilities and pledges

Contingent assets and liabilities

The Group is involved in commercial claims and disputes, which are subject to considerable uncertainty. At end of 2020, three commercial claims with a total amount of USD 39.2m were raised against the Group. These are treated as contingent liabilities as it is not considered likely that they will result in a cash outflow. Other commercial claims and disputes do not involve significant amounts.

Taxes may come into effect if the company leaves the tonnage tax regime. Through participation in a joint taxation scheme with A.P. Møller Holding A/S, the Danish company is jointly liable for taxes payable etc. in Denmark.

Pledges

Vessels with a carrying amount of USD 934.7m have been pledged as security for borrowings of USD 640.4m.

Note 21: Events after the balance sheet date

In February 2021, a commercial claim was raised against the Group. The size of the claim is material but the outcome cannot be reliably estimated in the terms of amount or timing. Based on the information available the Group does not expect the claim to have a material impact on the consolidated financial statements.

Maersk Marmara was part of the assets held for sale in end of 2020, however the agreement has been terminated after the balance sheet date and the vessel will be reclassified back to property, plant and equipment in 2021.

Five vessels were delivered to new owners in January 2021, the vessels were classified as assets held for sale as at 31st December 2020.

LR2 newbuilding Maersk Sara was delivered in January 2021.

Note 22: Company overview

List of subsidiaries of Maersk Product Tankers A/S:

Subsidiary	Country of incorporation	Ownership share
Maersk Tankers Singapore Pte. Ltd.	Singapore	100%
Maersk Tankers UK Limited*	United Kingdom	100%

*Maersk Tankers UK Limited is currently under liquidation

PARENT COMPANY FINANCIAL STATEMENTS

Parent income statement | Parent statement of comprehensive income | Parent balance sheet at 31 December | Parent cash flow statement | Parent statement of changes in equity | Notes to the parent financial statements

PARENT COMPANY FINANCIAL STATEMENTS

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PARENT INCOME STATEMENT

Note	Amounts in USD thousands	2020	2019
	Revenue	204,077	211,760
1	Operating costs	- 156,292	- 164,048
	Other costs	- 4,335	- 2,881
	Profit before depreciation and impairment losses (EBITDA)	**43,450**	**44,831**
4	Depreciation and impairment losses, net	- 36,114	- 49,153
	Gain/loss on sale of non-current assets, etc., net	2,431	359
	Profit/loss before financial items (EBIT)	**9,767**	**- 3,963**
	Profit/loss from subsidiaries	192,964	140,060
2	Financial income	335	881
2	Financial expenses	- 45,486	- 46,034
	Profit/loss before tax	**157,580**	**90,944**
	Tax	3,074	1,420
	Profit/loss for the year	**160,654**	**92,365**

PARENT STATEMENT OF COMPREHENSIVE INCOME

Note	Amounts in USD thousands	2020	2019
	Profit/loss for the year	160,654	92,365
	Cash flow hedges:		
	Value adjustment of hedges for the year	- 4,723	- 12,289
	Reclassified to income statement:		
	- operating costs	507	- 1,547
	- financial expenses	- 8,026	- 1,210
	Tax on other comprehensive income	0	0
	Total items that have been or may be reclassified subsequently	**- 12,242**	**- 15,046**
	Other comprehensive income, net of tax	**- 12,242**	**- 15,046**
	Total comprehensive income for the year	**148,412**	**77,318**

PARENT BALANCE SHEET AT 31 DECEMBER

Note	Amounts in USD thousands	2020	2019
4	Property, plant and equipment	181,045	204,461
5	Right of use asset	117,927	125,755
6	Investments in subsidiaries	1,103,777	990,813
	Total non-current assets	**1,402,749**	**1,321,029**
	Inventories	**4,480**	**7,084**
9	Trade receivables	13,784	33,752
	Derivatives	1,177	0
	Deposits	71,205	29,217
	Other receivables	7,537	1,985
	Prepayments	3,872	3,872
	Other current assets	**97,575**	**68,826**
	Cash and cash equivalents	**47,562**	**52,019**
	Assets held for sale	**21,767**	**9,024**
	Total current assets	**171,384**	**136,953**
	Total assets	**1,574,133**	**1,457,982**

Note	Amounts in USD thousands	2020	2019
	Share capital	1,590	1,590
	Retained Earnings	505,970	495,320
	Reserves for hedging	- 31,032	- 18,795
	Proposed dividend	150,000	65,000
	Total equity	**626,528**	**543,115**
	Derivatives	21,934	14,089
7	Borrowings, non-current	402,446	750,790
	Total non-current liabilities	**424,380**	**764,879**
7	**Borrowings, current**	**490,184**	**111,059**
	Provisions	800	760
	Trade payables	14,965	23,174
	Derivatives	10,275	4,707
	Tax payables	251	208
	Other payables	2,211	6,576
	Deferred income	4,540	3,504
	Other current liabilities	**33,042**	**38,929**
	Total current liabilities	**523,226**	**149,988**
	Total liabilities	**947,606**	**914,867**
	Total equity and liabilities	**1,574,133**	**1,457,982**

PARENT CASH FLOW STATEMENT

Note	Amounts in USD thousands	2020	2019
	Profit/Loss before financial items	**9,767**	**- 3,963**
4	Depreciation, impairment	36,114	49,153
	Gain/Loss on sale of non-current assets	- 2,431	- 359
	Profit before depreciation and impairment losses (EBITDA)	**43,450**	**44,831**
10	Change in working capital	4,569	231
	Change in provisions	40	- 356
	Other non-cash items	- 1,930	1,098
	Cash generated from operations before financial items and tax	**46,129**	**45,804**
	Interest received	355	- 217
	Interest paid	- 45,964	- 44,639
	Tax received	3,117	4,680
	Net cash from operating activities	**3,617**	**5,628**
10	Purchase of vessels	- 54,299	- 45,685
	Change in deposits for sale/purchase of vessels	2,730	0
	Proceeds from disposal	39,115	15,638
	Change in loans from subsidiaries	128,939	15,000
6	Dividend and capital reduction from subsidiaries	80,000	114,884
	Deposits placed	- 41,987	- 29,318
	Net cash from investing activities	**154,498**	**70,519**
	Proceeds from new borrowings	164,575	69,059
	Repayment of borrowings	- 262,129	- 139,392
	Dividend paid to shareholders	- 65,000	0
	Net cash from financing activities	**- 162,554**	**- 70,333**
	Net cash flow for the year	**- 4,439**	**5,814**
	Liquid funds at beginning of period	52,019	46,204
	Exchange gain/loss on Liquid funds	- 18	1
	Liquid funds at end of period	**47,562**	**52,019**

PARENT STATEMENT OF CHANGES IN EQUITY

Amounts in USD thousands	Share capital	Reserve for hedges	Retained Earnings	Dividend proposed	Total equity
Equity 1 January 2019	1,590	- 3,749	467,956	0	465,796
Profit/loss for the year	0	0	27,365	65,000	92,365
Other comprehensive income	0	- 15,046	0	0	- 15,046
Total comprehensive income for the year	**0**	**- 15,046**	**27,365**	**65,000**	**77,319**
Equity 31 December 2019	**1,590**	**- 18,795**	**495,321**	**65,000**	**543,115**
2020					
Profit/loss for the year	0	0	10,654	150,000	160,654
Other comprehensive income, net of tax	0	- 12,237	- 5	0	- 12,242
Total comprehensive income for the year	**0**	**- 12,237**	**160,649**	**150,000**	**148,412**
Dividends to shareholders	0	0	0	- 65,000	- 65,000
Total transactions with shareholders	**0**	**0**	**0**	**-65,000**	**-65,000**
Equity 31 December 2020	**1,590**	**- 31,032**	**505,970**	**150,000**	**626,528**

The share capital consists of 10 million shares with a nominal value of DKK 1 per share. The shares are divided into two share classes; A (nominal value DKK 2.5m) and B (nominal value DKK 7.5m) with A shares carrying three votes and B shares carrying one vote in voting power.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

Parent Note 1: Operating costs

Maersk Product Tankers A/S has not had employees in 2020 or 2019, as all personnel is employed in affiliated companies. For remuneration of the Board of Directors and Executive Management reference is made to note 1 in the consolidated financial statements.

Parent Note 2: Financial income and expenses

Amounts in USD thousands	2020	2019
Interest expenses on liabilities	- 45,359	- 45,888
Interest income on loans and receivables	335	881
Net interest expenses	**- 45,024**	**- 45,007**
Exchange rate losses on bank balances, borrowings and working capital	- 127	- 146
Net foreign exchange gains/losses	**- 127**	**- 146**
Financial expenses, net	**- 45,151**	**- 45,153**
Of which:		
Financial income	335	881
Financial expenses	- 45,486	- 46,034

Parent Note 3: Tax

Amounts in USD thousands	2020	2019
TAX RECOGNISED IN THE INCOME STATEMENT		
Current tax on profits for the year	0	0
Adjustment for current tax of prior periods	3,325	1,628
Total current income tax	3,325	1,628
Total income tax	3,325	1,628
Tonnage and freight tax	- 251	- 208
Total tax expense/income	**3,074**	**1,420**
TAX RECONCILIATION		
Profit/loss before tax	157,580	90,944
Profit/loss subject to Danish and foreign tonnage taxation, etc.	- 9,747	3,963
Profit/loss before tax, adjusted	**147,833**	**94,907**
Tax using the Danish corporation tax rate (22.0%)	- 32,523	- 20,880
Profit/loss excluding subsidiaries	42,456	30,813
Adjustment to previous years' taxes	3,325	1,628
Loss not expected to be utilised	- 9,933	- 9,934
Total income tax	**3,325**	**1,628**

Shipping activities are taxed on the basis of the net tonnage (tonnage tax). Furthermore, Maersk Product Tankers A/S is part of a joint taxation with A.P. Møller Holding A/S and its Danish subsidiaries regarding general tax regulations for net financial items and other activities.

Amounts in USD thousands	2020	2019
Tax loss carry forward	86,465	29,073
Total	**86,465**	**29,073**

The tax value of the loss carry forward is USD 19.0m(USD 6.4m). The unrecognised deferred tax assets have no significant time limitations and relates to tax loss not expected to be utilised

Parent Note 4: Property, plant & equipment

Amounts in USD thousands	Vessels	Assets under construction	Total
Cost			
1 January 2019	631,637	0	631,637
Addition	33,537	1,108	34,645
Disposals	- 59,417	0	- 59,417
Transfer, asset held for sale	- 24,849	- 905	- 25,754
Transfer	1,177	- 1,177	0
31 December 2019	582,085	- 974	581,111
Addition	48,085	6,214	54,299
Disposals	- 76,225	0	- 76,225
Transfer, asset held for sale	- 69,097	0	- 69,097
Transfer	4,891	- 4,891	0
31 December 2020	489,739	349	490,088
Depreciation and impairment losses			
1 January 2019	393,611	0	393,611
Depreciation	32,073	0	32,073
Impairment loss	14,222	0	14,222
Reversal of impairments	- 2,387	0	- 2,387
Disposals	- 44,139	0	- 44,139
Transfer, asset held for sale	- 16,730	0	- 16,730
31 December 2019	376,650	0	376,650
Depreciation	27,571	0	27,571
Impairment loss	1,570	0	1,570
Reversal of impairments	- 855	0	- 855
Disposals	- 48,605	0	- 48,605
Transfer, asset held for sale	- 47,288	0	- 47,288
31 December 2020	309,043	0	309,043
Carrying amount:			
31 December 2019	205,435	- 974	204,461
31 December 2020	180,696	349	181,045

Impairment tests of property, plant and equipment are carried out for cash generating units with indications of impairment losses or reversals. No indicators of a need for additional impairments or reversal of impairment have been identified as of 31 December 2020 as the longer term expectations have not changed significantly.

Parent Note 5: Leases

Amounts in USD thousands	Vessels	Total
Recognition of right-of-use asset on initial application		
1 January 2019	0	0
Addition	131,000	131,000
Depreciation	- 5,245	- 5,245
31 December 2019	125,755	125,755
Depreciation	- 7,828	- 7,828
31 December 2020	117,927	117,927
Net Carrying amount		
31 December 2019	125,755	125,755
31 December 2020	117,927	117,927
Lease liabilities		
1 January 2019		
Additions	122,690	122,690
Interest expense	4,172	4,172
Lease payments	- 6,919	- 6,919
Foreign exchange movements	0	0
31 December 2019	119,943	119,943
Interest expense	6,784	6,784
Lease payments	- 12,590	- 12,590
31 December 2020	114,137	114,137
Lease liabilities are recognised in the balance sheet as follows		
Non-current liabilities, presented in borrowings, non-current	107,733	107,733
Current liabilities, presented in borrowings, current	6,404	6,404
	114,137	114,137
Recognised in the profit and loss statement as follows:		
Interest expense relating to lease liability	6,784	6,784
	6,784	6,784
Recognised in the cash flow statement as follows:		
Interest elements of lease payments, presented in "interest paid"	- 6,784	- 6,784
Principal elements of lease payments, presented in "repayment of borrowings"	- 5,806	- 5,806
	- 12,590	- 12,590

Parent Note 6: Investment in subsidiaries

Amounts in USD thousands	Total
1 January 2019	**965,636**
Profit/Loss for the period	140,061
Share capital reduction	- 100,000
Dividend paid	- 14,884
31 December 2019	**990,813**
Profit/Loss for the period	192,964
Share capital reduction	- 80,000
31 December 2020	**1,103,777**

Subsidiaries
Amounts in USD thousands

Name	Domicile	Capital	Equity	Profit/Loss	Ownership Interest
Maersk Tankers Singapore Pte. Ltd.	Singapore	1,390,000	1,103,761	192,964	100.0%
Maersk Tankers UK Limited*	UK	0	16	0	100.0%

*Maersk Tankers UK Limited is under liquidation.

Parent Note 7: Borrowings

Amounts in USD thousands	2020	2019
Bank and other credit institutions	778,492	741,906
Lease liabilities	114,137	119,943
Total	892,629	861,849
Of which:		
Classified as non-current	402,446	750,790
Classified as current	490,184	111,059
Derivatives hedge of borrowings, net	32,209	18,796

Amounts in USD thousands	Borrowings	Leases	Total
Cost			
1 January 2019	808,302	0	808,302
Cashflows	- 67,282	- 3,048	- 70,330
Interest on borrowings	886	301	1,187
Acquisition of leases	0	122,690	122,690
31 December 2019	741,906	119,943	861,849
Cashflows	37,176	- 5,791	31,385
Change in interest	-590	-15	-605
31 December 2020	778,492	114,137	892,629

Parent Note 8: Financial instruments by category

Amounts in USD thousands	Carrying amount 2020	Fair Value 2020	Carrying amount 2019	Fair Value 2019
Carried at amortized cost				
Deposits	71,205	71,205	29,217	29,217
Total interest-bearing receivables	**71,205**		**29,217**	
Trade receivables	13,784		33,752	
Other receivables	7,537		1,985	
Cash and cash equivalents	47,562		52,019	
Financial assets at amortized costs	**140,088**		**116,973**	
Carried at fair value				
Derivatives	1,177	1,177	0	0
Total financial assets	**141,265**		**116,973**	
Carried at amortized costs				
Borrowings	778,492	778,492	741,906	741,906
Lease liabilities	114,137		119,943	
Trade payables	14,965		23,174	
Other payables	2,211		6,576	
Financial liabilities at amortized costs	**909,805**		**891,599**	
Carried at fair value				
Derivatives	32,209	32,209	18,796	18,796
Total financial liabilities	**942,014**		**910,395**	

Financial instruments measured at fair value

Fair value of derivatives is within level 2 of the fair value hierarchy and is calculated on the basis of observable market data as of the end of the reporting period.

Financial instruments carried at amortised cost

Fair value of the short-term financial assets and other financial liabilities carried at amortised cost is not materially different from the carrying amount. In general, fair value is determined primarily based on the present value of expected future cash flows. Where a market price was available, how-ever, this was deemed to be the fair value.

Parent Note 9: Financial risks

Maturities of liabilities and commitments		Cash flows including interest			
Amounts in USD thousands	Carrying amount	0-1 year	1-5 years	5- years	Total
2020					
Borrowings	778,492	484,234	283,723	37,530	805,487
Lease liabilities	114,137	12,827	63,904	79,984	156,715
Trade payables	14,965	14,965	0	0	14,965
Other payables	2,211	2,211	0	0	2,231
Non-derivative financial liabilities	**909,805**	**514,237**	**347,627**	**117,514**	**979,398**
Derivatives, payables	32,209	10,275	20,291	1,643	32,209
Total recognised in balance sheet	**942,014**	**524,512**	**367,918**	**119,157**	**1,011,607**
2019					
Borrowings	741,906	130,448	571,991	128,235	830,673
Lease liabilities	119,943	12,590	50,258	105,096	167,944
Trade payables	23,174	23,174	0	0	23,174
Other payables	6,576	6,576	0	0	6,576
Non-derivative financial liabilities	**891,599**	**172,788**	**622,249**	**233,331**	**1,028,367**
Derivatives, payables	18,796	4,707	12,850	1,239	18,796
Total recognised in balance sheet	**910,395**	**177,495**	**635,099**	**234,570**	**1,047,163**

For description of financial risks, a reference is made to note 12 in the consolidated financial statements.

Maturity analysis of trade receivables	2020	2019
Receivables not due	12,121	21,943
Less than 90 days overdue	1,554	11,206
More than 90 days overdue	178	2,602
Receivables, gross	13,853	35,751
Expected credit loss	- 69	- 1,999
Carrying amount	**13,784**	**33,752**

Approx. 61.7% (82.1%) of the expected credit loss is related to trade receivables overdue by more than one year.

Parent Note 10: Cash flow specifications

Amounts in USD thousands	2020	2019
Inventories	2,606	- 3,125
Trade receivables	21,898	- 17,236
Other receivables and prepayments	- 5,552	- 3,845
Trade payables and other payables	- 14,256	24,480
Exchange rate adjustment of working capital	- 127	- 43
Change in working capital Total	**4,569**	**231**
Additions	-54,299	- 45,685
Purchase of property, plant and equipment Total	**- 54,299**	**- 45,685**

Parent Note 11: Related parties

Amounts in USD thousands	2020	2019
Income statement		
Revenue	0	0
Operating costs	- 114,345	- 91,912
Financial expenses	- 3,582	- 264
Assets		
Trade receivables	- 462	152
Other receivables	5,686	882
Liabilities		
Bank and other credit institutions, etc. current	0	0
Other borrowings	134,356	0
Trade payables	1,717	1,951
Other payables	251	208

A.P. Møller Holding A/S, Copenhagen, Denmark has control over the Company and prepares consolidated financial statements. A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal is the ultimate owner. Other related parties include A.P. Møller Holding A/S, and all its subsidiaries and affiliates.

Parent Note 12: Contract balances

Amounts in USD thousands	2020	2019
Trade receivables from contracts with customers	10,399	10,888
Accrued income-contract asset	3,485	9,981
Deferred income-contract liability	4,540	3,504

Reference is made to note 17 of the consolidated financial statements for more details on the balances.

Parent Note 13: Accounting policies

General Accounting Policies

The financial statements for 2020 for Maersk Product Tankers A/S have been prepared on a going concern basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act. The accounting policies of the Company are consistent with those applied in the Group's financial statements 2020 (note 18 in the consolidated financial statements) with the following exception:

Investments in Subsidiaries

Investments in subsidiaries are measured as per the equity method. The initial investment is recognised at cost and adjusted thereafter to recognise the share of profits, losses and other adjustments. The Management assesses impairment for investment in subsidiaries and determines the amount generally consistent with the assumptions stated in Note 19 Significant accounting policies in the consolidated financial statements.

REPORTS

STATEMENT OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and Executive management have today considered and adopted the Annual Report of Maersk Product Tankers A/S for the financial year 1 January – 31 December 2020.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Group and the Parent Company and of the results of the Group and Parent Company operations and cash flows for 2020.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Copenhagen, 4th March 2021

Executive Management

Christian Michael Ingerslev

Morten Mosegaard Christensen

Eva Birgitte Bisgaard

Claus Grønborg

Board of Directors

Robert Maersk Uggla
Chairman

Tatsuya Okamoto

Martin Nørkjær Larsen

Maria Aagaard Pejter

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maersk Product Tankers A/S

OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Maersk Product Tankers A/S for the financial year 1 January - 31 December 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("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 Group 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 Consolidated Financial Statements and the Parent Company 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 Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 Group's and the Parent 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 Group or the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 4 March 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Thomas Wraae Holm
State Authorised Public Accountant
MNE-number 30141

Henrik Ødegaard
State Authorised Public Accountant
MNE-number 31489

ADDITIONAL INFORMATION

BOARD OF DIRECTORS

The Board of Directors appoints Executive Management and sets out its responsibilities and conditions, which includes the day-to-day management of the company and implementation of strategy. The Chief Executive Officer and Chief Financial Officer are registered with the Danish Business Authority as Directors of Maersk Product Tankers. They are also responsible for the operational running of Maersk Tankers, together with the other members of the executive management.

ROBERT M. UGGLA

Chairman of the Board of Directors

Gender	Male
Joined the board	2017

Robert M. Uggla, MSc in Business Administration, joined A.P. Møller - Mærsk A/S in 2004 and has held various roles, latest as CEO for Svitzer A/S.

Chairman, the Board of Directors:
A.P. Møller Capital P/S; Maersk Tankers A/S

Member of the Board of Directors:
A.P. Møller - Mærsk A/S; The Drilling Company of 1972 A/S (Maersk Drilling) (Vice Chairman); ZeroNorth A/S; Foundation Board of IMD

Other management duties:
Agata ApS (CEO, including CEO in a number of controlled entities); Estemco XII ApS (CEO); International Business Advisory Council in Shanghai (Member)

Robert M. Uggla is appointed to the Board of Directors in a number of entities controlled by A.P. Møller Holding A/S.

MARIA PEJTER

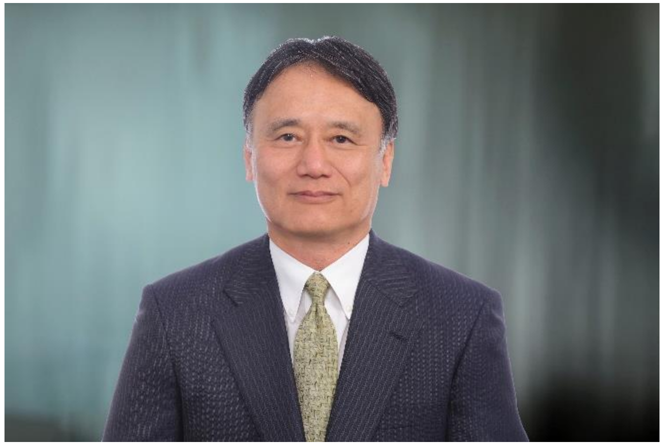
Member of the Board of Directors

Gender	Female
Joined the board	2018

Maria Pejter, BSc in Political Science, has since 1997 held several top-level positions within organisational strategy and development in A.P. Møller - Mærsk A/S.

Member of the Board of Directors:
Maersk Tankers A/S

Maria Pejter is appointed to the Board of Directors in a number of entities controlled by A.P. Møller Holding A/S



TATSUYA OKAMOTO

Member of the Board of Directors

Gender	Male
Joined the board	2019

Tatsuya Okamoto has decades of experience from working at Mitsui. He has held leadership roles in various functions; for example, Business Development, and in Mitsui's shipping business. He graduated from Sophia University in Japan in Sociology.

Member of the Board of Directors:
JA Mitsui Leasing, Ltd.

Z

MARTIN N. LARSEN

Member of the Board of Directors

Gender	Male
Joined the board	2017

Martin N. Larsen, MSc in Economics & Finance, joined A.P. Møller – Mærsk A/S in 2003 and has held several roles, latest as VP, Head of Financial Planning & Analysis.

Member of the Board of Directors:
A.P. Møller Capital P/S; Maersk Tankers A/S; The Drilling Company of 1972 A/S (Maersk Drilling); Navigare Capital Partners A/S; Assuranceforeningen SKULD (Gjensidig)

Other management duties:
MVKH ApS (CEO)

Martin N. Larsen is appointed to the Board of Directors in a number of entities controlled by A.P. Møller Holding A/S

EXECUTIVE MANAGEMENT

CHRISTIAN M. INGERSLEV

Chief Executive Officer

Gender	Male
Joined the executive management	2017

Christian M. Ingerslev has more than two decades of industry and leadership experience from, among others, positions as Chief Commercial Officer and Head of Business Development at Maersk Tankers A/S. He holds an Executive MBA from Columbia Business School/London Business School.

Member of the Board of Directors:
ZeroNorth; Danish Shipping; The Diversity Council's CEO committee

MORTEN M. CHRISTENSEN

Chief Financial Officer

Gender	Male
Joined the executive management	2018

Morten M. Christensen's responsibilities include finance, strategy and IT. He has more than a decade of experience in the financial sector. This includes executive positions at Danske Bank, including interim Chief Financial Officer, Chief of Staff and Head of Group Finance. He holds a Master of Mathematics and Economics and a PhD in Finance from the University of Southern Denmark.

EVA BIRGITTE BISGAARD

Chief Commercial Officer

Gender	Female
Joined the executive management	2020

Eva Birgitte Bisgaard is responsible for Maersk Tankers' overall commercial business, including go-to-market strategies, partner experience and freight trading. She has two decades of experience in the technology sector where she has held executive positions. She holds a Master in International Business from Aarhus School of Business and Aarhus University, Denmark.

Member of the Board of Directors:
Velux

CLAUS GRØNBORG

Chief Investment Officer

Gender	Male
Joined the executive management	2017

Claus Grønborg has overall responsibility for asset management and Maersk Tankers' continued growth through strategic partnerships. This includes exploring and delivering initiatives such as new strategic ventures with partners and customers and developing new services for partners. Before taking up this role, he was Chief Commercial Officer. He holds a Bachelor's degree in Chinese from Beijing Language and Culture University and an Executive MBA from Columbia Business School/London Business School.

TOMMY THOMASSEN

Chief Technical Officer

Gender	Male
Joined the executive management	2017

Tommy Thomassen's responsibilities include ensuring safe and cost-efficient vessel technical operations. He first worked for A.P. Møller – Mærsk A/S in 1994 and has held different leadership positions in and outside the company, including Senior Vice President at J. Lauritzen. He holds a B.Sc. in Mechanical Engineering from Aarhus Technical University and an MBA in Management of Technology from The Technical University of Denmark.

Member of the Board of Directors:
International Tanker Owners Pollution Federation; DS Medical Office HiLo Risk Management; Survey Association; Lloyds Registry Nordic Committee; American Bureau of Shipping Technical Committee

ANNELISE GOLDSTEIN

Chief Human Resources Officer

Gender	Female
Joined the executive management	2021

Annelise Goldstein has overall responsibility for Human Resources. She has more than 20 years of experience in the field of leadership, talent, diversity and inclusion and organisational development. This includes senior leadership roles at Novo Nordisk A/S, Nordea and Korn Ferry. She holds a Master in Social Policy from the University of Pennsylvania, USA, and a Master in Psychology from Aarhus University, Denmark.

Member of the Board of Directors:
Academy Group

COLOPHON

Board of Directors
Robert M. Uggla, Chairman
Maria Pejter
Tatsuya Okamoto
Martin N. Larsen

Executive Management
Christian M. Ingerslev, CEO
Morten M. Christensen, CFO
Eva Birgitte Bisgaard, CCO
Claus Grønborg, CIO
Tommy Thomassen, CTO
Annelise Goldstein, CHRO

Auditor
PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab

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MAERSK PRODUCT TANKERS